

Uniform Financial Accounting for Iowa LEAs and AEAs

Iowa Department of Education
April, 1991
Reprinted August, 2000
Appendices Updated Annually

State of Iowa
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Des Moines, Iowa 50319-0146

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INTRODUCTION

This edition of *Uniform Financial Accounting for Iowa LEAs and AEAs* includes laws, rules, and regulations in effect as of June 2001. This edition also includes certain modifications that will be effective when the Governmental Accounting Standards Board (GASB) Statement 34 is implemented. Iowa public school districts and area education agencies are required to follow this manual.

ACKNOWLEDGEMENT

This manual was adopted, with minor revisions, from the following publication with permission:

U.S. Department of Education. Office of Educational Research and Improvement. National Center for Education Statistics. *Financial Accounting for Local and State School Systems*, by William J. Fowler, Jr., Revisions Project Manager. Washington, DC: 1990.

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Suggested citation:

Iowa Department of Education. Division of Financial and Information Services. Budgeting and Finance Team. *Uniform Financial Accounting for Iowa LEAs and AEAs*. Des Moines, IA: 2000

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CHAPTER 1

INTRODUCTION

The Purpose of *Uniform Financial Accounting for Iowa LEAs*

The primary purpose of *Uniform Financial Accounting for Iowa LEAs* is to reflect the changes that have occurred since 1957 in governmental accounting and education finance. The previous manual was designed to serve as a vehicle for program cost accounting at the local and intermediate levels. This need still exists, but additional needs have appeared. *Uniform Financial Accounting for Iowa LEAs* addresses those needs.

Statutory Authority

Iowa Public LEAs are required to follow *Uniform Financial Accounting for Iowa LEAs*. Information has been combined from the Iowa Code, Iowa Administrative Code, Opinions of Attorney Generals, Department of Education rules, regulations and directives that have in effect the force of law, U.S. Department of Education guidance, Generally Accepted Accounting Principles (GAAP), legislative intent, and similar authoritative sources.

Chapter 257 of the Iowa Code is generally regarded as the School Finance section of the Code. Included in that chapter and Iowa Code section 273.9 is the requirement for LEAs to include expenditures for the program and services provided through AEAs in the budgets of the LEAs.

Following are selected state statutory responsibilities for LEA budgeting and accounting.

Duties of the Director of the Department of Education

Approve, coordinate, and supervise the use of electronic data processing by school districts. [256.9(11)]

Interpret the school laws and rules relating to the school laws. [256.9(16)]

Prepare forms and procedures as necessary to be used by district boards, school officials, principals, teachers, and other employees, and to insure uniformity, accuracy, and efficiency in keeping records in both pupil and cost accounting, the execution of contracts, and the submission of reports, and notify the district board or school authorities when a report has not been filed in the manner or on the dates prescribed by law or by rule that the school will not be accredited until the report has been properly filed. [256.9(18)]

Determine by inspection, supervision, or otherwise, the condition, needs, and progress of the schools under the supervision of the department, make recommendations to the proper authorities for the correction of deficiencies and the educational and physical improvement of the schools, and request a state audit of the accounts of a school district, school official, or school employee handling school funds when it is apparent that an audit should be made. [256.9(19)]

Duties of the School Budget Review Committee

The school budget review committee may confer with local school boards or their representatives and make recommendations relating to any budgeting or accounting matters, and direct the director of the department of education or the director of the department of management to make studies and investigations of school costs in any school district. [257.31(1)]

The committee shall adopt recommendations relating to the implementation by school districts of procedures pertaining to the preparation of financial reports in conformity with generally accepted accounting principles and submit those recommendations to the state board of education. [257.31(4)]

The committee may recommend that two or more school districts jointly employ and share the services of any school personnel, or acquire and share the use of classrooms, laboratories, equipment, and facilities as specified in section 280.15. [257.31(15)]

Duties of the State Board of Education

Adopt rules under chapter 17A for carrying out the responsibilities of the department. [256.7(5)]

The state board shall consider the recommendations of the SBRC and adopt rules specifying procedures and requiring the school districts to conform to generally accepted accounting principles commencing with the school year beginning July 1, 1996. [257.31(4)]

Duties of the Department of Management

To prescribe forms on which each municipality (including LEAs), at the time of preparing estimates required under section 24.3, shall be required to compile in parallel columns data and estimates for immediate availability to any taxpayer upon request. [8.6(1)]

To insure uniformity, accuracy, and efficiency in the preparation of budget estimates by municipalities subject to Chapter 24, the comptroller shall prescribe the procedures to be used and instruct the appropriate officials of the various municipalities on implementation of the procedures. [8.6(1)(d)]

Duties of the Office of the Auditor of State

Each school officer shall install and use in the office a system of uniform blanks and forms as prescribed by law (see duties of the director of the department of education and the department of management above). State auditors shall assist the school officers in installing the system. [11.23]

The financial condition and transactions of all school offices in school districts shall be examined at least once each year. The examination shall cover the fiscal year next preceding the year in which the audit is conducted. The examination of school offices shall include an audit of activity funds. Examinations shall be made as determined by the governmental subdivision either by the auditor of state or by certified public accountants, certified in the state of Iowa, and they shall be paid from the proper public funds of the governmental subdivision. A school district desiring to contract with or employ Certified Public Accountants (CPA) shall utilize procedures which include a request for proposals (RFP). [11.6(1,2,3)]

The auditor of state may at any time cause to be made a complete or partial reaudit of the financial condition and transactions of any school corporation if one of the following conditions exists:

- a) The auditor of state has probable cause to believe such action is necessary in the public interest because of a material deficiency in an audit of the governmental subdivision filed with the auditor of state or because of a substantial failure of the audit to comply with the standards and procedures established and published by the auditor of state.
- b) The auditor of state receives from an elected official or employee of the governmental subdivision a written request for a complete or partial reaudit of the governmental subdivision.
- c) The auditor of state receives a petition signed by at least fifty eligible electors of the governmental subdivision requesting a complete or partial reaudit of the governmental subdivision. [11.6(4)]

The auditor of state may, within three years of filing, during normal business hours upon reasonable notice of at least twenty-four hours, review the audit work papers prepared by a certified public accountant in the performance of an audit or examination conducted. [11.6(5)]

An audit required by 11.6 shall be completed within nine months following the end of the fiscal year that is subject to the audit. [11.6(6)]

CPAs shall immediately notify the auditor of state regarding any suspected embezzlement or theft. [11.6(7)]

Auditors shall have the right while making examinations to examine all papers, books, records, and documents of any of the officers and shall have the right, in the presence of the custodian or the custodian's deputy, to have access to the cash drawers and cash in the official custody of such officer, and a like right, during business hours, to examine the public accounts of the school in any depository which has public funds in its custody pursuant to the law. [11.10]

All examinations shall be made without notice to the office examined. On every examination inquiry shall be made as to the financial condition and resources of the school; whether the cost price for improvements and material in the school is in excess of the cost price for like things in other schools of the state; whether the school authorities are complying with the law; and whether the accounts and reports are being accurately kept. [11.11]

All reports shall be open to public inspection, including copies on file in the office of the state auditor, and refusal on the part of any public official to permit such inspection when such reports have been filed with the state auditor, shall constitute a simple misdemeanor. [11.19]

NCES's Role in Developing Education Data Systems

The National Center for Education Statistics (NCES) has a responsibility to provide and interpret comprehensive statistics about the condition of education in the United States. In addition, it has congressional mandates calling for conducting and publishing specialized analyses and for providing assistance to States and LEAs in improving their statistical activities.

To fulfill its role, NCES sponsors a number of programs, ranging from regular data collection to the development of materials and techniques that facilitate the compilation and comparisons of statistical information. One of these programs is the development and periodic revision of manuals of standardized terminology. *Financial Accounting for Local and State School Systems* is one of several publications sponsored by NCES in a coordinated attempt to produce comprehensive and compatible sets of standardized terminology for use in education management and reporting.

NCES encourages states to use these guidelines in planning new recording and reporting systems. State and local school administrators realize the value of having well-organized, standard items of comparable data at their disposal for management and reporting purposes. As a result, many of the Nation's school systems and many Federal and State Reports use these guidelines, terms, and definitions.

Financial Accounting for Local and State School Systems (also called H2R2) is the model used to revise *Uniform Financial Accounting for Iowa LEAs*. Substantial sections have been adopted with permission. The model was updated in 1990 by a task force lead by William J. Fowler, Jr., Ed. D., Revisions Project Manager.

Criteria for Items of Information

The following basic criteria were used in selecting items and classifications for inclusion in this publication:

1. The items, accounts, and categories of information should provide the basic framework fundamental to a comprehensive financial management system;
2. The guidelines should serve all sizes and types of LEAs;
3. The categories of accounts should be both contractible and expandable, enabling all LEAs to adapt them to support various financial management information systems;
4. Data elements should be additive into needed categories for purposes of reporting and comparing at the local, State and Federal levels;
5. The guidelines should conform to generally accepted governmental accounting principles;
6. The guidelines should include the categories necessary to provide full disclosure of financial information;
7. The categories included should provide an adequate audit trail.

Conformance With Generally Accepted Accounting Principles

A primary emphasis of this publication is to define account classifications that provide meaningful financial management information to its users. As part of this emphasis, *Uniform Financial Accounting* is written to conform to generally accepted accounting principles (GAAP), [as set forth in the National Council on Governmental Accounting's *Governmental Accounting and Financial Reporting Principles, Statement 1*, published by the Municipal Finance Officers Association, Chicago, Illinois, March 1979], a uniform minimum standard of and guidelines for financial accounting and reporting. For LEAs, adherence to GAAP implies that their financial reports contain the same types of financial statements for the same categories and types of funds and account groups. Such conformity will enhance the comparability of LEA financial reporting.

The twelve principles applicable to LEAs are summarized below:

1. *Accounting reporting capabilities.* An LEA's accounting system must be capable of producing financial reports in conformity both with GAAP and with legal requirements if the two are different;
2. *Fund accounting system.* The LEA accounting system must be organized and operated on a fund basis;
3. *Types of funds.* Only seven types of funds should be used by LEAs. These funds are listed later in this manual.
4. *Number of funds.* An LEA should establish and maintain the least number of funds possible;
5. *Accounting for fixed assets and long-term liabilities.* Fixed assets and long-term liabilities not related to specific proprietary funds or trust funds should be accounted for in the general fixed assets and general long-term debt account groups, respectively;
6. *Valuation of fixed assets.* LEA fixed assets should be recorded at cost or estimated cost. Donated fixed assets are recorded at fair market value;
7. *Depreciation of fixed assets.* Depreciation should not be recorded in the accounts of the governmental funds. If depreciation in governmental funds is required for cost accounting purposes it may be recorded in the general fixed assets account group. Depreciation of proprietary fund fixed assets should be recorded in the accounts of that fund;
8. *Accrual basis in governmental accounting.* The accrual basis of accounting should be used for proprietary funds, non-expendable trust funds and pension trust funds. The modified accrual basis of accounting should be used for governmental funds and expendable trust funds;
9. *Budgeting, budgetary control, and budgetary reporting.* Every LEA should adopt annual operating budgets and certain of those budgets should be reported in the financial statements;
10. *Revenue, expenditure, transfer, and expense account classifications.* An LEA should provide for the classification of revenues, expenditures, and expenses into certain specific categories. Interfund transfers and the proceeds from general long-term debt should be classified separately from revenues and expenditures or expenses;
11. *Common terminology and classifications.* An LEA should consistently utilize terminology and classifications common to the funds maintained;
12. *Interim and annual financial reports.* A comprehensive annual financial report should be issued by every LEA. Interim financial statements should be prepared to facilitate management control of financial operations. These may be

made available externally.

In keeping with GAAP, this publication's content and format are based on double entry and the accrual or modified-accrual basis of accounting. However, because of existing State laws or individual preference, some LEAs will continue to maintain their day-to-day accounting records on a cash basis. To accommodate those LEAs, the appendix identifies the additional receipt and disbursement classifications needed to operate and to provide the balance sheet accounts most frequently used in a cash-basis/ double-entry system.

Legal provisions may conflict with GAAP. Statement 1 of GAFR says, "Where financial statements prepared in conformity with GAAP do not demonstrate finance-related legal and contractual compliance, the governmental unit should present such additional schedules and narrative explanations in the comprehensive annual financial report as may be necessary to report its legal compliance responsibilities and accountabilities. In extreme cases, preparation of a separate legal-basis special report may be necessary

"Conflicts between legal provisions and GAAP do not require maintaining two accounting systems. Rather, the accounting system may be maintained on a legal compliance basis, but should include sufficient additional records to permit GAAP-based reporting."

Basis of Accounting

The "basis of accounting" refers to the point in time when revenues, expenditures or expenses (as appropriate), and the related assets and liabilities are recognized in the accounts and reported in the financial statements. In other words, the "basis of accounting" determines the timing with which the accounting system recognizes transactions.

Cash-Basis Accounting

Cash-basis accounting recognizes transactions when cash is received or disbursed. In the most common version of a cash-basis accounting system, the financial condition of the LEA is measured primarily by the size of the system's cash balance. All other assets and liabilities are recognized only to the extent they have arisen from prior cash transactions. Notes and bonds payable and interfund loans receivable and payable are, therefore, recognized, for example, but accounts receivable and accounts payable are not. Cash-basis accounting provides information about the LEA's financial operations only by reporting changes in the system's cash balance, adjusted for changes in any other assets or liabilities which have arisen through prior cash transactions.

One of the greatest weaknesses of the cash basis of accounting is that it *does not recognize* accounts receivable, accounts payable and other accrued items. It therefore does not match resources used to resources provided. This situation may falsely lead financial statement readers to believe that the statements present the LEA's complete financial position and results of operations. Using the cash basis, an LEA may thus fall into a deficit position without being aware of its real financial position. It is difficult to eliminate a current year deficit if the LEA is not aware of the circumstances until the close of the fiscal year. With cash-basis statements, then, the statement reader may not be able to determine if an LEA is operating beyond its means. Although LEAs may budget on the cash basis of accounting, Iowa LEAs may not report on the cash basis of accounting.

Modified Accrual and Accrual-Basis Accounting

Generally accepted accounting principles (GAAP) utilize the modified accrual basis of accounting for governmental funds and expendable trust funds and the accrual basis of accounting for proprietary and nonexpendable trust funds. Agency funds do not have a basis of accounting since assets = liabilities. However, agency funds use the modified accrual basis to record assets and liabilities.

GAAP is regarded as the superior method of accounting for the economic resources of the LEA. This method allows an LEA to determine its financial position and results of operations by measuring economic resources and obligations. Changes in these factors can also be measured as those changes occur, regardless of the timing of the related cash flows.

GAFR recommends use of GAAP to the fullest extent practicable. With minor differences in wording, the Association of School Business Officials International (ASBO) agrees with this position. Between proprietary funds (accrual) and governmental funds (modified accrual), GAAP is applied differently. In proprietary funds, revenues are recorded when they are earned and become measurable, and expenses are recorded when the liability for them is incurred, if measurable. The governmental fund revenues and expenditures should be recorded on the modified-accrual basis. Revenues should be recorded when they become available and measurable. Expenditures should be recorded when incurred, if measurable. Some of the advantages of accrual-basis accounting include:

- providing a comprehensive measurement of financial position and results of operations;
 - providing accountability for individual assets within the accounting system at the earliest appropriate date;
 - providing the potential for cost accounting analyses and comparisons;
 - promoting comparability from period to period;
 - reducing management's ability to control cash flows in such a way as to produce financial statements that will seem to present financial position and results of operations in either a more optimistic or more pessimistic context, depending upon management's particular preference at the end of any given fiscal year.
- For those LEAs using the accrual basis of accounting, the revenue classifications, expenditure dimensions and balance

sheet accounts may be used as illustrated in later chapters.

Single-Entry/Double-Entry Accounting

A single-entry accounting system is easily illustrated by the check register in a checkbook. In that system a single entry is recorded for each cash receipt or cash disbursement. The cash account is increased or decreased by each transaction. Single-entry accounting systems in LEAs operate in a like manner.

A double-entry accounting system requires that for every entry made to the debit side of an account an entry for a corresponding amount be made to the credit side of another account. Double-entry accounting involves maintaining a balance between assets on the one hand and liabilities, reserves, and fund equities on the other.

The double-entry system has two advantages. First, the LEA can prepare a balance sheet which reports the financial status of an LEA at a particular date. Secondly, the double-entry system provides a good set of checks and balances in the accounting system.

Iowa LEAs are required to use double-entry accounting.

Comparability

Using the classifications and definitions in this handbook will enhance comparability of recorded and reported financial information among LEAs, the States and the Federal Government. This comparability should provide assistance to LEA, State and Federal administrators, legislators, LEA boards of education and the general public in understanding where funds come from and how they are used.

Types of Education Agencies

Ways of using these guidelines by education agencies will vary at local, State and Federal levels. To keep the references to the different levels of education agencies simple and concise, *Uniform Financial Accounting* uses the following terminology:

- *Local Education Agency*, or *LEA*, refers to an education agency at the local level which exists primarily to operate schools or to contract for educational services. Normally, such publicly operated agencies may levy taxes for school purposes. This term is used synonymously with the terms "school district," "school system," and "local basic administrative unit";
- *Area Education Agencies*, or *AEAs*, are intermediate units of government in between local and state levels having some independent fund-raising and dependent taxing capability;
- *State Education Agency*, or *SEA*, refers to State departments of education;
- *Federal Education Agency*, or *FEA*, as used here refers to any Federal agency or subdivision having responsibilities for supporting or delivering education services. It particularly refers to the U.S. Department of Education and its various subdivisions.

Statements and concepts in this publication directed toward LEAs also apply to the financial accounting needs of other educational agencies including private or specialized institutions.

CHAPTER 2

USES OF THE ACCOUNT CLASSIFICATION SYSTEM

The purposes of this chapter are to: (1) describe the need for and advantages of the account classification system contained in this publication; (2) define the systems framework envisioned in the coding structure; (3) clarify the multiple uses that can and should be made of that coding structure; and (4) help the reader understand what may appear to be an imposing system.

Users of the LEA Financial Reports

Educational accounting and financial reporting systems must satisfy a number of objectives simultaneously. To quote GAAFR: "... governmental accounting exists for the purpose of providing complete and accurate financial information, in proper form and on a timely basis, to the several groups of persons responsible for, and concerned with, the operations of governmental units and agencies..." [National Committee on Governmental Accounting, *Governmental Accounting, Auditing and Financial Reporting*, published by Municipal Finance Officers Association, Chicago, Illinois, 1968, page 1]

The groups most interested in the output of the financial reporting system are: school administrators, school boards and other governing units, Congress and State legislative bodies, creditors, and the general public, including taxpayers. [Note: Much of the substance of this section is adapted from Robert N. Anthony, *Financial Accounting in Non-Business Organizations, an Exploratory Study of Conceptual Issues*, under contract to the Financial Accounting Standards Board, Stanford, Connecticut, 1978.]

School Administrators and Other Employees

First and foremost, the *Uniform Financial Accounting* account classification system is used by school administrators. They must rely on financial reports to evaluate past performance, to aid in day-to-day decisionmaking and to inform the general public.

Budgeting, an important managerial tool for the public school administrator, relies upon correct and properly classified accounting information. The expenditure dimensions used here offer the administrator a variety of methods for budgeting and permit local judgment about the most appropriate technique. Additionally, the accounting system satisfies the administrator's obligation to ensure compliance with the legal, regulatory and fiduciary responsibilities of that position of public trust. This publication is designed to meet these overlapping requirements.

School Boards and Other Governing Units

School boards and other governing units have both a responsibility and an intense interest in the operation of the school system. The school board is responsible for establishing policies and for overseeing and appraising the administrator as he or she carries out these policies. The school board thus needs timely warning in case situations develop that require corrective action. The board also needs information as a basis for judging both the efficiency of the administration and its effectiveness in complying with policies and restrictions. Some of this information can be provided by general purpose financial reports. Comparable information obtained about other LEAs also is needed as a basis for comparison.

Congress and State Legislative Bodies

The U.S. Congress and the State legislatures provide about half of the resources for the operation of LEAs in the country today. Accordingly, they need information on the schools' operations as a basis for deciding whether to commit additional resources, and how much. Additionally, governance units need cumulative information (in compatible format) about the operations of groups of LEAs in order to formulate funding policies. To this end, legislators are interested in such matters as:

- the ways in which local, State and Federal programs interact within specific operational areas;
- profiles of school finance structures as they relate to tax resources; and
- the impact (and cost) of programs resulting from specific legislative initiatives.

Hence, characteristics of the accounting and reporting system of interest to State and Federal legislators are comparability of data, ability to achieve a variety of classifications. and timeliness in reporting.

Creditors and Potential Creditors

In governmental accounting, creditors are considered to include bondholders and prospective bondholders, commercial banks, vendors, and others who have extended credit, or who are considering extending credit, to the LEA. Typically, they would be interested in the financial position of the organization, its operating performance, and its likely sources and uses of funds as indications of the probability that the bonds or loans will be repaid in full and on time.

The General Public

With regard to the general public's interest, Anthony says: "In theory, a governing body represents the interest of an organization's constituents (taxpayers, members, the general public, etc.). In fact, however, the constituents need to check on how well governing bodies do represent their interests. In a general way, the interests of constituents are similar to those of resource providers: they want to know the nature of the organization's activities and how effectively and efficiently it was managed. Constituents have a more personal interest in these matters, however. Taxpayers want to know about the services furnished by the governmental unit. . . An American Accounting Association committee states bluntly that an objective of financial statements is 'to provide information on which constituents can base a decision to retain or replace incumbents.' " [p.44]

The account classification system presented here is designed to enable LEAs to produce the financial reports necessary to better meet all of these potential uses.

What Is an Accounting System?

What is an accounting system? How does it go about serving the diverse needs of its users? An accounting system is that combination of people, equipment, forms, methods and procedures organized to record financial activity and to display that activity in the financial reports. A primary purpose of an accounting system is to produce financial information organized in various ways for various uses.

Financial Reports

The financial reports necessary in an LEA fall into two major groupings: internal and external. Some examples of the internal reports include:

- comparison of budgeted vs. actual revenues and expenditures;
- cash flow projection;
- building operation and maintenance costs, by building; and
- the expenditure accounts, showing activity during the last reporting period.

External financial reports are produced by the LEA to satisfy the needs of the various users who are not a part of the LEA. There are a variety of types of external reports defined by the NCGA in GAFR. This document lists the comprehensive annual financial report, the external general purpose financial statements (see appendix), and the condensed summary financial data among the external reports. With regard to the first two types of reports, GAFR says:

"The comprehensive annual financial report is the governmental unit's official annual report and should also contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

"Governmental units may issue the general purpose financial statements separately from the comprehensive annual financial report. These may be issued for inclusion in official statements for bond offerings and for widespread distribution to users requiring less detailed information about the governmental unit's finances than is contained in the comprehensive annual financial report.

"The major differences between the general purpose financial statements and the other statements in the comprehensive annual financial report relate to the reporting entity focus and the reporting on finance-related legal and contractual provisions that differ from GAAP. The comprehensive annual financial report includes (1) both individual fund and account group data and aggregate data by fund types, together with introductory, supplementary, and statistical information; and (2) schedules essential to demonstrate compliance with finance-related legal and contractual provisions. The general purpose financial statements present only aggregate data by fund type and account group, together with notes to the financial statements that are essential to fair presentation, including disclosures of material violations of finance-related legal and contractual provisions and other important matters that are not apparent from the face of the financial statements." [National Council on Governmental Accounting, *Governmental Accounting and Financial Reporting Principles*, published by Municipal Finance Officers Association, Chicago, IL, March 1979, p. 19]

Other external reports generally are of a special purpose nature. They may include such reports as:

- general financial/statistical summaries for use by legislators;
- specific reports of certain revenues and expenditures by program, for use by the funding source(s); and
- program cost reports.

The Accounting System

The accounting system is the means by which financial data are captured during actual operation of the LEA, recorded in the books of account, and then analyzed to produce the various kinds of reports needed. Financial transactions can be classified to facilitate their accumulation in the categories needed on the required reports. The guidelines here provide a classification structure which will meet most of the accounting system's needs and will provide comparability of reported data when reports from different LEAs are combined, compared, or both.

Basic Philosophy of Uniform Financial Accounting

Several criteria are inherent in the design of the account classification structure in this publication. Taken together, they support the needs expressed above. They are:

1. *The chart of accounts encourages full disclosure of the financial position of the LEA.* Emphasis is placed on the accurate classification of financial transactions. Expenditures are recorded in the accounting categories applicable, regardless of the implications of some of those decisions;
2. *Comprehensiveness of financial reporting is encouraged.* The LEA should incorporate all financial activities into a single accounting and reporting system for full disclosure. The account classifications here encourage this procedure. Accounts for such activities as food services, student activities, community services and commercial-like enterprises all should be included in the financial reports of the LEA;
3. *Simplified reporting is encouraged.* GAFR encourages using the minimum number of funds necessary for legal and operational use. Only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.
4. *Financial reporting emphasizes the results of LEA operations more than the resources applied.* The account code structure emphasizes program accounting and the application of supporting services costs to the "products" of the educational enterprise;
5. *The account classification system is flexible: it meets the needs of both small and large LEAs while retaining comparability of reported data.* The guidelines here include a minimum list of accounts essential for Federal reporting. They also provide a variety of optional classifications for LEAs interested in a more comprehensive approach to financial accounting and reporting;
6. *The classification of accounts and the recommended reporting structure remain in accordance with generally accepted accounting principles.*

The Uniform Financial Accounting Account Classification Structure

This publication provides for classifying three basic types of financial activity: revenues and other sources of funds; expenditures and other uses of funds; and transactions affecting the balance sheet only. For each type of transaction, the specific account code is made up of a combination of classifications called dimensions. Each dimension describes one way of classifying financial activity. The dimensions applicable to each type of transaction are:

Revenues	Expenditures	Balance Sheet
Fund	Fund	Fund
Revenue Source	Function	Balance Sheet Account
Project/Reporting	Program	
	Object	
	Project/Reporting	
	Level of Instruction	
	Operational Unit	
	Subject Matter	
	Job Classification	
	Special Cost Center	

In this section, the purpose and uses of each of these dimensions are described.

Expenditure Dimensions

Fund

A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources. It also contains all related liabilities and residual equities or balances, or changes therein. [Statement 1]

Funds are established to carry on specific activities or attain certain objectives of an LEA according to special legislation, regulations, or other restrictions.

Function

The function describes the activity for which a service or material object is acquired. The functions of an LEA are classified into five broad areas: Instruction, Support Services, Operation of Non-Instructional Services, Facilities Acquisition and Construction Services, and Other Outlays. Functions and subfunctions consist of activities which have somewhat the same general operational objectives. Furthermore, categories of activities comprising each of these divisions and subdivisions are grouped according to the principle that the activities should be combinable, comparable, relatable and mutually exclusive.

As used here, neither programs nor functions are related directly to the organization of a particular LEA, although there may be a close correspondence. Organization and responsibilities vary substantially from one LEA to another. Hence, it is not considered practical to attempt to align programs or functions and organization units for purposes of reporting responsibilities. Instead, the operational unit dimension should be used.

Program

A program is a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives. This dimension provides the LEA the framework for classifying expenditures by program to determine cost. Using this dimension allows certain support service costs to both the program and the function to be classified concurrently.

Object

The object is the service or commodity bought. This publication identifies several major object categories. These categories are divided into sub-objects for more detailed accounting.

Project/Reporting

The project/reporting code permits LEAs to accumulate expenditures to meet a variety of specialized reporting requirements at local, State and Federal levels. The first two digits identify the funding source, authority, or expenditure purpose for which a special record or report of revenues, expenditures, or both is required. The last two digits are available to identify particular projects, the fiscal year of the appropriation within that funding source, or both.

Level of Instruction (optional)

This dimension permits segregation of expenditures by organizational level. An LEA may want to differentiate elementary and secondary costs in order to produce specific cost calculations.

Operational Unit (optional)

LEAs may use this dimension: (1) to identify attendance centers; (2) as a budgetary unit or cost center designator; (3) as a means of segregating costs by building structure; and (4) as a location code for payroll check distribution.

These usages sometimes coincide but more often conflict with each other. For example, the first two are most frequently used to manage the school system's finances. However, it is possible to have more than one attendance center within a budgetary unit, or vice versa. Hence, a classification designed for financial management often represents a combination of the two uses. This combined classification may conflict, however, with the requirements of the maintenance department to capture the costs associated with operating and maintaining the various physical structures (option 3 above). Therefore, an LEA wishing to use this dimension must first have its objectives clearly in mind; then design the actual classifications. If too many conflicting objectives exist, it may be necessary to create extra dimensions in the LEA's chart of accounts to accommodate these needs.

Subject Matter (optional)

The subject matter dimension describes a group of related subjects. This dimension permits the costs of providing instruction for particular subject areas to be accumulated. The classifications used here are consistent with the first two digits of the subject matter classification in Handbook VI, *Standard Terminology for Curriculum and Instruction in Local and State School Systems*.

Job Classification (optional)

This dimension enables LEAs to classify expenditures for salaries and employee benefits by the employees' job classifications. There are at least three ways in which this dimension is used in school accounting: (1) classifying payroll costs for personnel purposes; (2) segregating certified and non-certified salaries and benefits; and (3) accumulating payroll costs by bargaining unit for purposes of labor negotiations.

Special Cost Center (optional)

Finally, it is recognized that LEAs utilize many other methods of classifying expenditures for particular purposes. None of these methods is used with enough regularity for inclusion here, but when used, they are important. These codes may be added to the expenditure account designator at the discretion of the SEA or LEA. Some of the possible additional dimensions are:

- term;
- course;
- work order;
- bus route or vehicle;
- State (or other supervisory authority) code;
- Federal Common Accounting Number (CAN)

In addition, in automated systems, there may be a need to add some codes for use by the computer. These might include:

- a *transaction* code to route the transaction through the system and post the correct files and fields in the data record;
- a *fiscal year* code, to assist with closing out one year while beginning to process activity for the new year;
- a *reporting level* code to assist in organizing report contents and subtotals;
- a *district* or *other organizational unit* code in a multi-district system such as sharing arrangements with multiple districts.

Revenue Dimensions

Fund

See Expenditure Dimensions.

Source

This dimension permits segregation of revenues by source. The primary classification differentiates local, intermediate, State, and Federal revenue sources. Revenues from restricted sources would be further classified using the project/reporting dimension.

Project/Reporting

See Expenditure Dimensions.

Balance Sheet Dimensions

Fund

See Expenditure Dimensions.

Balance Sheet Account/Subaccount

These classifications correspond to the items normally appearing on the balance sheet.

The Minimum Chart of Accounts

Used in its entirety, the handbook classification structure (particularly the expenditure classifications) can generate amounts of detailed data. However, much of the classification system described herein is offered for the optional use of the LEA. Hence, an LEA may choose, in a number of ways, which parts of the system it needs or wants to use. It may choose:

1. Not to use certain dimensions at all;
2. To consolidate certain dimensions in its own local chart of accounts.
3. To use less (or more) than the number of digits described for any particular dimension in this publication.

Whatever course an LEA chooses, it must follow a certain minimum list of these classifications to meet Federal and State reporting requirements. This list is referred to as the "minimum chart of accounts." It is as follows:

Expenditures:	Fund Function Program Project/Reporting Object
Revenues:	Fund Source Project/Reporting
Balance Sheet:	Fund Balance Sheet Accounts

Budgeting

The *Uniform Financial Accounting* classification system offers a variety of ways in which LEAs can prepare a budget. Generally, an LEA will want to budget items for the various object classifications within program, subject matter, operational unit or function or some combination of those dimensions. Budgets also are made up for separate projects using the project/ reporting code as the key.

It is recommended that principals, department heads, teachers, and other staff personnel be involved in the total budgetary process and that the budget developed support the educational program objectives of the LEA. The legal responsibility for insuring the adequacy and fulfillment of the budgeting and accounting requirements for LEAs lies with the elected board of directors and its officers.

Because of the flexibility and comprehensive uses of this classification system, there is a tendency for budgets to become extremely detailed, with individual budget line items being drawn up for comparatively small amounts of money. This leads to needless restrictions on the budget manager, and, in some systems, can greatly increase the paperwork required for budget adjustment. To alleviate this problem, the LEA should draw and maintain its legal appropriation at a higher level of classification than the level at which it keeps its accounting records. More detailed budgets may be maintained for the use of individual budget managers.

Relationship to an Educational Information System

The account structure used herein deals with only one component, albeit an important one, in the design of an overall educational information system: the finance component. Other major components are the property system, the staff records system, the student records system, the curriculum or program component, and the community services component. Some organization of the activities of each of these areas is necessary to the proper operation and oversight of the LEA. The various components of the educational information system interact in at least two ways. At the operational level, information entering the system through one subsystem (component) may and frequently does affect the files of another subsystem. For example, gross and net pay information created in the payroll system (which is part of the finance subsystem) will be posted to the employee's master record, which is also used in the staff subsystem.

The other interaction is in methods of classification. It often is necessary to classify the data in one component's files using the classifications primarily applicable to another component. For example, a subject matter classification from the curriculum component is often used to categorize expenditures.

CHAPTER 3

ACCOUNT CLASSIFICATIONS

This chapter contains a summary of the account classifications and definitions provided for LEA use. Specific descriptions for these classifications and definitions are included in chapter 6. This chapter is divided into four sections:

- Fund Classifications
- Revenue Classifications
- Expenditure Classifications
- Balance Sheet Account Classifications.

Fund Classifications

Governmental accounting systems should be organized and operated on a fund basis. The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing financial transactions in a single accounting entity. Instead, the required accounts are organized on the basis of different funds, each of which is completely independent of any other. Each fund must be so accounted for that the identity of its resources, obligations, revenues, expenditures, and fund equities is continually maintained. These purposes are accomplished by providing a complete self-balancing set of accounts for each fund which shows its assets, liabilities, reserves, fund balances or retained earnings, revenues, and expenditures or expenses.

A fund is a fiscal and accounting entity, with a self-balancing set of accounts recording cash and other resources, together with all related liabilities and residual equities or balances, or changes therein. (National Council on Governmental Accounting, *Governmental Accounting and Financial Reporting, Statement 1*, 1979, p. 2) If one were to compare fund accounting with commercial accounting, each fund would equate to an independent business, with a separate set of records owned by one entity, the LEA.

The classifications of fund and account groups included here are similar to those used by other State and local governmental units. They consist of the following fund classifications and account groups:

Governmental Funds. The funds through which most LEA functions are typically financed. The reporting focus of these funds is upon determining financial position rather than net income;

Proprietary Funds. The funds used to account for LEA activities that are similar to business operations in the private sector; or where the reporting focus is on determining net income, financial position and changes in financial position;

Fiduciary Funds. The funds used to account for **assets that benefit individuals, private organizations, or other governments (GASB Statement 34)** which are held by an LEA as trustee or agent. Each trust fund is treated for accounting measurement purposes in a manner similar to either a governmental fund or a proprietary fund. Expendable trust funds **(eliminated when GASB Statement 34 is implemented)** **(Permanent Funds (GASB Statement 34)** are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds **(eliminated when GASB Statement 34 is implemented)** and pension trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations;

Account Groups. Groups of accounts used to record and control the LEA's general fixed assets and unmatured general long-term liabilities. Long-term liabilities of proprietary and trust funds should not be accounted for here but should be kept within those individual funds.

The four classifications listed above are divided into the following categories, called fund types:

- Governmental Funds
 1. General Fund
 2. Special Revenue Funds
 3. Capital Projects Funds
 4. Debt Service Funds
 5. **Permanent Funds (GASB Statement 34)**
- Proprietary Funds
 6. Enterprise Funds
 7. Internal Service Funds
- Fiduciary Funds
 8. Trust and Agency Funds **(this fund type is eliminated when GASB Statement 34 is Implemented)**
 8. Pension Trust Funds

9. Private-Purpose Trust Funds (GASB Statement 34)

10. Agency Funds

- Account Groups

11. General Fixed Assets

12. General Long-Term Debt

The following general principles apply to student activity funds:

1. The school board is responsible for all student activity funds in the district;
2. The primary criterion for determining how these funds should be classified should be: "Who determines how the money is spent?" Thus, funds related to the cocurricular program of the district would generally be classified as governmental funds, while funds of separate entities such as an independent booster club with its own FIN generally would be included in the fiduciary funds;
3. Student activity funds are classified as special revenues funds and should be budgeted and controlled in the same manner as other governmental funds.

Classifying Revenues and Other Fund Sources

Revenues are classified by type and source for the various funds of an LEA. Revenues are defined as additions to assets which do not increase any liability, do not represent the recovery of an expenditure, and do not represent the cancellation of certain liabilities without a corresponding increase in other liabilities or a decrease in assets.

Revenues are classified into four major sources (defined below): local, intermediate, State and Federal.

1. Revenue from *local* sources is the amount of money produced within the boundaries of the LEA and available to the LEA for its use. Money collected in the same amount by another governmental unit as an agent of the LEA (less collection costs) is recorded as revenue from local sources. Shared revenue (revenue levied by another governmental unit, but shared in proportion to the amount collected within the LEA) is also recorded as revenue from local sources;
2. Revenue from *intermediate* sources is revenue from funds collected by an intermediate administrative unit, or a political subdivision between the LEA and the State, and distributed to LEAs in amounts that differ in proportion to those which were collected within such systems.

An illustration of revenue from intermediate sources is a sales tax levied and collected by a county government, which then distributes the money collected to the LEAs on a flat grant or equalization-aid basis. In this example, on the books of a school system, the county would be the intermediate unit;

3. Revenue from *State* sources is revenue from funds produced within the boundaries of and collected by the State and distributed to LEAs in amounts different proportionately from those which were collected within such LEAs;
4. Revenue from *Federal* sources is revenue from funds collected by the Federal Government and distributed to LEAs in amounts that differ in proportion from those which were collected within such LEAs. In determining whether a revenue is a Federal revenue, it is unimportant whether the funds are distributed directly to the LEA by the Federal Government or through some intervening agency such as the State. When an LEA does not have a method for determining the prorated share of Federal, State and other sources of revenue in a commingled grant, the distributing agency should provide this information to the local agency. When recording reimbursement for indirect costs, the revenue should be recorded in the fund and revenue source classification for the program for which the indirect costs are claimed.

Within each source of revenue, individual items of revenue are classified into basic groupings of similar types of revenue such as taxes or tuition. These group headings are *not* account titles; they are used only as a convenient means of identifying specific revenue accounts for reporting purposes.

The revenue source classification includes "other sources" which constitute fund revenues in a strict fund accounting context, but are not considered revenues to the LEA. They include the sale of bonds and the receipt of interfund transfers. These other sources are described in the 5000 accounts.

The revenues and other source classifications are listed in Table 1 at the end of this section.

Project/Reporting Dimension

When an LEA receives money for restricted uses, it frequently must prepare a report showing the amount received and the amounts expended for those purposes. When revenues of this nature are received, the LEA would assign a project/reporting classification to the revenue transactions. The structure and classification of the project/reporting codes assigned would be identical to those used to classify expenditures. These codes are explained under Classification of Expenditures and Other Uses of Funds.

Table 1. – Classifications of revenues and other sources and funds in which these classifications are frequently found

	Classification of revenues and other sources	General Fund	Special revenue funds	Capital projects funds	Debt service funds	Enterprise funds	Internal service funds	Trust and agency funds
1000	Revenue from local sources							
1100	Taxes levied/assessed by the LEA							
1110	Ad valorem taxes	X	X	X	X			
	Sales and use taxes	X		X				
1120								
1130	Income taxes	X	X					
1140	Penalties and interest on taxes	X	X		X			
1190	Other taxes	X	X		X			
1200	Revenue from local governmental units other than LEAs							
1210	Ad valorem taxes	X	X		X			
1220	Sales and use taxes	X						
1230	Income taxes	X						
1240	Penalties and interest on taxes	X	X		X			
1280	Revenue in lieu of taxes	X	X		X			
1290	Other taxes	X	X		X			
1300	Tuition							
1310	Tuition from individuals	X						
1320	Tuition from other LEAs within the State	X						
1330	Tuition from other LEAs outside the State	X						
1340	Tuition from other resources	X						
1400	Transportation fees							
1410	Transportation fees from Individuals	X						
1420	Transportation fees from other LEAs within the State	X						
1430	Transportation fees from other LEAs outside the State	X						
1440	Transportation fees from other sources	X						
1500	Earnings on investments							
1510	Interest on investments	X	X	X	X	X		X
1520	Dividends on investments							X
1530	Gains or losses on sale of Investments	X	X	X	X	X		X
1540	Earnings on investment in real property	X						X
1600	Food services							
1610	Daily sales—reimbursable Programs							
1611	Daily sales—school lunch Program					X		
1612	Daily sales—school breakfast Programs					X		
1613	Daily sales—special milk Program					X		
1620	Daily sales—non-reimbursable programs					X		
1630	Special functions					X		

Table 1. – Classifications of revenues and other sources and funds in which these classifications are frequently found –(continued)

	Classification of revenues and other sources	General Fund	Special revenue funds	Capital projects funds	Debt service funds	Enterprise funds	Internal service funds	Trust and agency funds
1700	Student activities							
1710	Admissions		X			X		
1720	Bookstore sales					X		
1730	Student organization membership dues and fees		X			X		X
1740	Fees	X	X			X		
1790	Other student activity income	X	X			X		X
1800	Community service activities	X				X		
1900	Other revenue from local sources							
1910	Rentals	X						X
1920	Contributions and donations From private sources	X	X	X	X	X		X
1930	Gains or losses on sale of fixed assets (proprietary funds only)					X	X	
1940	Textbook sales and rentals							
1941	Textbook sales	X				X		
1942	Textbook rentals	X				X		
1950	Services provided other LEAs							
1951	Services provided other LEAs within the State	X	X			X	X	
1952	Services provided other LEAs outside the State	X	X			X	X	
1960	Services provided other local governmental units	X	X			X	X	
1970	Services provided other funds						X	
1990	Miscellaneous	X	X	X	X	X	X	X
2000	Revenue from intermediate sources							
2100	Unrestricted grants-in-aid	X						
2200	Restricted grants-in-aid	X	X					
2800	Revenue in lieu of taxes	X		X				
2900	Revenue for/on behalf of the LEA	X						
3000	Revenue from State sources							
3100	Unrestricted grants-in-aid	X						
3200	Restricted grants-in-aid	X	X	X		X		
3800	Revenue in lieu of taxes	X	X	X	X			
3900	Revenue for/on behalf of the LEA	X						
4000	Revenue from Federal sources							
4100	Unrestricted grants-in-aid direct from the Federal Government	X						
4200	Unrestricted grants-in-aid from the Federal Government through the State	X						
4300	Restricted grants-in-aid direct from the Federal Government	X	X	X		X		
4500	Restricted grants-in-aid from the Federal Government through the State	X	X	X		X		
4700	Grants-in-aid from the Federal Government through other agencies	X	X	X				
4800	Revenue in lieu of taxes	X	X					
4900	Revenue for/on behalf of the LEA	X						

Table 1. – Classifications of revenues and other sources and funds in which these classifications are frequently found –(continued)

	Classification of revenues and other sources	General Fund	Special revenue funds	Capital projects funds	Debt service funds	Enterprise funds	Internal service funds	Trust and agency funds
5000	Other sources (government funds only)							
5100	Sale of bonds			X	X			
5110	Bond principal			X	X			
5120	Premium			X	X			
5130	Accrued interest			X	X			
5200	Interfund transfers	X	X	X	X	X		X
5300	Sale or compensation for loss of fixed assets	X	X	X	X			X

Classifying Expenditures and Other Fund Uses

The expenditure classifications are divided into two groups of dimensions: *Dimensions Essential for Reporting Expenditures* at the Federal level, and *Optional Dimensions Available for LEA Management*.

The classifications which are essential to meet many of the important Federal (and most State) reporting requirements are found within the following dimensions:

- Function
- Program
- Project/Reporting
- Object

A number of additional expenditure dimensions are described here for use at the option of the LEA. These include:

- Level of Instruction
- Operational Unit
- Subject Matter
- Job Classification
- Special Cost Center

Dimensions Essential for Reporting Expenditures

Fund

Fund is not an essential dimension for Federal reporting. However, it is required by most States and for the LEA to be in compliance with GAAP.

Function

The function describes the activity being performed for which a service or material object is acquired. The functions of an LEA are classified into five broad areas: Instruction, Support Services, Operations of Non-Instructional Services, Facilities Acquisition and Construction Services, and Other Outlays. Functions and subfunctions consist of activities which have somewhat the same general operational objectives. Furthermore categories of activities comprising each of these divisions and subdivisions are grouped according to the principle that the activities should be combinable, comparable, relatable, and mutually exclusive.

Program

A program is a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives. This dimension provides LEAs the framework to classify expenditures by program to determine cost. Using this dimension allows certain support service costs to be classified to both the function and the program.

Object

This dimension is used to describe the service or commodity obtained as a result of a specific expenditure. Several major object categories are identified in this manual. These broad categories are subdivided into sub-objects for more detailed accounting.

Project/Reporting

The project/reporting code permits LEAs to accumulate expenditures to meet a variety of specialized reporting requirements at local, State, and Federal levels. The first two digits identify the funding source, authority, or expenditure purpose for which a special record or report of revenues, expenditures, or both, is required. The last two digits are available to identify particular projects and/or the fiscal year of the specific appropriation within that funding source.

Optional Dimensions Available for LEA Management

A number of additional dimensions are available which are in common use in LEAs for management and administration. The use of these dimensions is optional to the LEA. These dimensions include:

Level of Instruction

This dimension permits expenditures to be segregated by instructional level. LEAs may desire to differentiate costs for elementary and secondary levels of instruction so they can produce various calculations.

Operational Unit

This dimension has several common usages in LEAs: (1) to identify attendance centers; (2) to designate a budgetary unit or cost center; (3) to segregate costs by building structure; and (4) to locate payroll check distribution.

These usages sometimes coincide, but more often conflict with each other. For example, the first two coding systems are most frequently used to financially manage the school system. However, it is possible to have more than one attendance center within a budgetary unit, or vice versa. Hence, a classification designed for financial management often represents a combination of the two uses. This combined classification may conflict, however, with the maintenance department's requirement to capture the costs associated with operating and maintaining the various physical structures (option 3 above).

Therefore, an LEA wishing to use this dimension must first have its objectives clearly in mind; then design the actual classifications. If too many conflicting objectives exist, it may be necessary to create two dimensions in the LEA's chart of accounts to accommodate these needs.

Subject Matter

The subject matter dimension describes a group of related subjects. This dimension is provided in order to permit the accumulation of the costs of providing instruction in particular subject areas. The classifications used are consistent with the first two digits of the subject matter classification in *Handbook VI*. [Putnam, John F., and W. Dale Chismore, *Standard Terminology for Curriculum and Instruction in Local and State School Systems*, Washington, D.C.: U.S. Government Printing Office, 1970] The LEA may choose to add more categories to this list, increase the size (number of digits) in the code, or both to provide more detailed classification.

Job Classification

This dimension enables LEAs to break down expenditures for salaries and employee benefits by the employees' job classification. This dimension is commonly used in school accounting in at least three ways: (1) to classify payroll costs for personnel purposes in accordance with the classifications contained in *Handbook IVR* [Roberts, Charles T., *Staff Accounting Classifications and Standard Terminology for Local and State School Systems*, Washington, D.C.: U.S. Government Printing Office, 1970] (2) to segregate certificated and non-certificated salaries and benefits; and (3) to accumulate payroll costs by bargaining unit for labor negotiations.

Special Cost Center

Finally, it is recognized that LEAs classify particular expenditures in many other ways. None of these methods is used with enough regularity to include here, but when used, they are important. Their codes may be added to the expenditure account designator at the discretion of the SEA or LEA. Some of the possible additional dimensions are:

1. **Term.** Some LEAs may like to classify expenditures by time of year, time of day, or both.
2. **Course.** LEAs may desire to expand the subject matter dimension to include a breakdown of expenditures by course or course cluster.
3. **Work Order.** In some LEA accounting systems, charges to individual work orders are accumulated for maintenance and operational control.
4. **Bus Route or Vehicle.** It may be desirable to allocate transportation costs to individual bus routes or student transportation vehicles.
5. **State Accounting Number.** LEAs may use an additional code to trace selected State programs.
6. **Federal Common Accounting Number (CAN).** Some LEAs may desire to use the Common Accounting Number to trace selected Federal programs.

Furthermore, in automated systems, additional codes may be needed to use in the computer. These might include:

- a *transaction* code to route the transaction through the system and post the correct files and fields in the data record;
- a *fiscal year* code, to assist with closing out one year while beginning to process activity for the new year;
- a *reporting level* code to assist in organizing report contents and subtotals;
- a *district* or other *organizational unit* code in a multi-district sharing system.

Classifying Balance Sheet Accounts

A summary of the balance sheet accounts and the funds in which they are frequently found is illustrated in Table 2 at the end of this section. Account numbers are included as an indication of how these accounts may be coded. The descriptions without account numbers are summary accounts that would normally appear on the balance sheet for reporting purposes. X's in brackets () indicate asset accounts normally recorded as credits or liability accounts normally recorded as debits.

Table 2. – Balance sheet accounts and funds in which these accounts are frequently found

Balance Sheet Accounts	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Enterprise Funds	Internal Service Funds	Trust and Agency Funds	General Fixed Assets Account Group	General Long-term Debt Account Group
Assets and Other Debits									
Current assets									
<u>Cash</u>									
101 Cash in Bank	X	X	X	X	X	X	X		
102 Cash on hand	X	X	X	X	X	X	X		
103 Petty cash	X				X	X			
104 Change cash					X				
105 Cash with fiscal agents				X					
106 Certificates of Deposit	X	X	X	X	X	X	X		
<u>Investments</u>									
111 Investments	X	X	X	X	X	X	X		
112 Unamortized premiums on investments			X	X	X	X	X		
113 Unamortized discounts on investments			(X)	(X)	(X)	(X)	(X)		
114 Interest receivable on investments	X	X	X	X	X		X		
115 Accrued interest on investments purchased	X	X	X	X	X		X		
<u>Taxes receivable</u>									
121 Taxes receivable	X	X		X					
122 Estimated uncollectible taxes	(X)	(X)		(X)					

Table 2. – Balance sheet accounts and funds in which these accounts are frequently found (continued)

Balance sheet accounts	General fund	Special revenue funds	Capital projects funds	Debt projects funds	Enterprise funds	Internal service funds	Trust and agency funds	General fixed assets account group	General long-term debt account group
Long-term liabilities									
<u>Bonds payable</u>									
511 Bonds payable									X
<u>Loans payable</u>									
521 Loans payable									X
<u>Lease obligations</u>									
531 Lease obligations					X	X			X
<u>Unfunded pension liabilities</u>									
541 Unfunded pension liabilities									X
<u>Other long-term liabilities</u>									
590 Other long-term liabilities									X
Budgeting accounts (interim statements only)									
601 Appropriations	X	X	X	X	X		X		
602 Expenditures/expenses	(X)	(X)	(X)	(X)	(X)	(X)	(X)		
603 Encumbrances	(X)	(X)	(X)	(X)	(X)		(X)		
Fund equity									
<u>Investment in general fixed assets</u>									
711 Investment in general fixed assets							X	X	
<u>Contributed capital</u>									
721 Contributed capital					X	X			
<u>Retained earnings</u>									
730 Reserved—retained earnings					X	X			
740 Unreserved—retained earnings					X	X			
Fund balance									
751 Reserve for inventories	X	X	X				X		
752 Reserve for prepaid expenses	X	X	X				X		
753 Reserve for encumbrances	X	X	X	X	X		X		
760 Reserved—fund balance	X	X	X	X			X		
770 Unreserved—fund balance	X	X	X	X			X		

CHAPTER 4

IMPLEMENTING THE ACCOUNT CLASSIFICATION SYSTEM

As part of the planning process for LEA implementation, these activities must be considered:

- management techniques;
- orientation of personnel;
- reporting requirements;
- chart of accounts and budget development;
- forms, procedures and record systems;
- master files and records conversion;
- automation;
- training.

Management Techniques

As part of the process of implementing *Uniform Financial Accounting for Iowa LEAs*, the LEA should review its management style to determine whether any changes are necessary. Since this guide provides a vehicle to gather and report detailed financial information, the LEA may wish to centralize or decentralize the management process or develop a results-oriented management style. A change in the LEA's administrative structure or management technique may result in a change in cost centers, which in turn will affect the chart of accounts design.

Conversion to *Uniform Financial Accounting* does not require the LEA to change its management style; rather, it affords the LEA an opportunity to review its management style in light of the change in accounting classifications. Many LEAs use this conversion as an opportunity to make other changes which have been needed, such as improving the bookkeeping system, automating certain operations, decentralizing budget authority, and the like.

Orientation of Personnel

After determining its management style, the LEA should conduct an orientation for its personnel. It should begin with a justification for change, which might include:

- a need for better financial information for management;
- a desire for improvement of financial controls;
- pressures from the local community for greater accountability;
- a mandate by the state.

LEA personnel should feel more comfortable with the change after it has been explained in detail. The extent of change must be illustrated. The extent of change relates directly to the management style utilized. Some activities to be illustrated would include:

- budget preparation and reporting;
- accounting records;
- business office procedures;
- organization realignments.

The extent of change will vary substantially from LEA to LEA, based upon the project objectives.

Assignment of specific conversion responsibilities should occur at this session. These responsibilities might assume the overall responsibility for implementing *Uniform Financial Accounting for Iowa LEAs*. This responsibility is normally assumed by the superintendent or business administrator. A project schedule should be developed indicating activities and completion dates. Finally, an implementation checklist can be developed which would include the prioritized tasks, estimated timelines and the person responsible. The plan should consider the resources required for completion. These resources might include personnel, management participation, vendor support, and computer time for testing the system.

Reporting Requirements

One of the first activities in converting to a new system is to determine any local reporting requirements beyond those established by the SEA. This process may be as simple as conducting a review of the existing budget report, or it may involve a consolidation of various separate accounting activities (e.g., Federal programs, food service, special education) or it may entail changes in managerial style.

All proposed reporting formats should be reviewed by LEA administrators and budget managers to insure that the chart of accounts will provide the financial information needed to make management decisions.

Developing the Chart of Accounts

After the reporting requirements are determined, the next step in conversion is to develop a local chart of accounts. In the manual, the account classifications presented do not constitute a chart of accounts. Rather, it is necessary to combine the various dimensions and categories into number groups to create a special chart of accounts for an LEA.

Constructing a chart of accounts compatible with these guidelines at the LEA consists of a number of steps:

1. Determining needed accounts and dimensions;
2. Deciding on the coding structure for local use;
3. Assigning codes;
4. Adapting recordkeeping systems; and
5. Preparing the budget.

The amount of effort involved at each of these stages will vary a great deal in different LEAs, depending on such factors as: the current condition of accounting in the LEA; whether the system is automated; and whether the LEA chooses to use the conversion as an opportunity to affect other changes (e.g., decentralizing budget responsibility, improving accounting recordkeeping, consolidating records).

Determining Needed Accounts and Dimensions

An LEA must determine the accounts and dimensions needed for the balance sheet, revenues and expenditures. As described in the manual, governmental accounting requires fund accounting. The fund dimension is used for all types of LEA financial transactions. Most states have legislative requirements regarding the types and number of funds.

Balance sheet accounts, expenditures, and revenue accounts are listed in this manual. This manual provides the LEA with the dimensions required to be used for state reporting and also lists optional dimensions to be used for local management purposes. The LEA should choose only those accounts that are applicable locally. Care should be exercised not to develop greater detail than has value to the LEA.

Developing the Coding Structure

Once the needed dimensions have been determined, the coding structure can be established. Each dimension is constructed of digits. The highest order digit is in the first position (counting left to right). An LEA must determine how many positions are necessary for local and state reporting purposes.

Most LEAs will probably follow the format for each dimension as set out in this manual. However, the LEA has the option to "grow with the system," adding positions as the need arises rather than use zeroes for position holders.

Assigning Codes

Once the structure is established, individual codes are assigned. Probably the easiest way to start this process is to crosswalk (recode) the existing budget. As this is being done, decisions are needed on how much detail is required for:

- the public;
- the board of education;
- the superintendent;
- cost center management;
- the auditor;
- the business office.

In general, the amount of detail shown should decrease as one progresses up this list, so that the business office has the most detail available which the public and the board of education have carefully summarized amounts with which to work.

Adapting Recordkeeping Systems

During the process of converting account codes, it is likely that some changes will be necessary in the recordkeeping systems. These changes must be considered when establishing the new codes. Among those conditions commonly encountered that are subject to change, the LEA might find that:

1. The LEA maintains funds in a variety of different bank accounts. This condition generally arose from Federal and State guidelines stipulating that LEAs not commingle funds. Although these requirements still exist, most Federal

offices and States have held that the requirement is met through proper application of the project/reporting dimension and does not require separate bank accounts.

There are several advantages to consolidating bank accounts. The practice of writing checks between accounts can be eliminated. Cash management by the LEA can be improved. The need to reconcile multiple accounts periodically is eliminated;

2. Separate accounting systems exist in a variety of offices within the LEA. The breadth and flexibility of Uniform Financial Accounting account codes permits consolidation of the various accounts of the LEA into a consolidated set of books for the LEA.

3. Automated districts will have to consider certain adaptations. The most significant change entailed is likely to be modification of the payroll for the distribution of salaries and benefits by program and function code.

Other changes may or may not be significant, depending upon the design of the existing system.

Preparing the Budget

As conversion generally takes place at the beginning of a new fiscal year, a decision must be made whether to construct the new budget on the old codes, the new codes, or both. Generally speaking, it will be desirable to prepare the first budget on the old codes, then crosswalk it to the new budget, splitting or combining the budget line items as necessary. This will help ensure that nothing is left out of the budget during conversion and will enable administrators to present either or both formats to the school boards and other interested parties.

Forms, Procedures, and Record Systems

In some LEAs, it may be necessary to redesign forms and records to:

- accommodate a larger account number;
- provide the necessary support to changes in management style or accounting procedures;
- accommodate matching student activities on the balance sheet, revenues and expenditures to generate special individualized reports.

For example, forms such as purchase requisitions, purchase orders, checks, receipts, timesheets and warehouse requisitions that currently include the account code structure must be changed. In a manual recordkeeping system, the format of the general ledger cards, subsidiary ledger cards, and journal sheets may require changes. In an automated or semi-automated district, this step may include appropriate modifications to input document record layouts, printed forms and reports, input edit routines, and the computer programs themselves.

If this step must be taken, adequate time should be allowed for forms to be redesigned and a sufficient supply printed, and for the necessary reprogramming to be accomplished.

Converting Master Files and Records

Certain of the LEAs accounting master records may be carried over from one fiscal year to the next. It will be necessary to recode these records with the new account codes. Specifically, these include:

- outstanding purchase orders;
- accounting ledger cards; and
- payroll accounting distribution records.

It will also be necessary to leave an audit trail.

Automation

The most common technical problems in converting the automated system include:

- distribution of salaries to multiple accounts;
- distribution of district-paid fringe benefits;
- preparing correct balance sheet entries using double-entry; and
- size of the account code field.

Training of LEA Employees

The first group of LEA employees to be trained should be the administrators. To provide the proper leadership, administrators must have knowledge of the new system and the effort required for conversion.

If the budget development and management is decentralized, the budget managers must also be trained. This training would stress:

- why the change was made;
- the accounts and dimensions used;
- the definitions of the accounts and dimensions;
- the format of the budget documents;
- the budget procedures; and
- the format of new financial reports and how to use them.

Another group of LEA employees to be trained would be the personnel who will actually code the transactions and keep the records. This group must have a good working knowledge of the chart of accounts.

Training of Non-LEA Employed Personnel

The Board of Education is the first outside group that needs training. The training should emphasize:

- why the conversion will be made;
- the benefits of the conversion;
- the accounts and dimensions used;
- the definitions of the accounts and dimensions; and
- the format and use of the new financial reports.

This might be an ideal time to discuss the responsibilities given to the board by Iowa Code for certified and authorized budget oversight and how the financial reports can be used to fulfill these responsibilities.

LEA auditors should be informed of the change, particularly as it affects the accounts and dimensions used. Also, the format of the financial reports included in the audit may be changed.

A discussion might also be held with labor bargaining units in order to inform them of the new chart of accounts and financial reports.

Finally, the LEA's general public must be educated. As public budget meetings are held, the changes and benefits from the change should be explained. Finally, the annual financial report in the new format should be available for public inspection.

CHAPTER 5

COST ACCOUNTING FOR EDUCATIONAL PROGRAMS

In recent years, education officials, from the local level to the Federal level, have increased their interest in developing more accurate cost data for education programs. The motivations behind this interest are varied. Federal categorical funding programs depend on cost information to budget and award grants. Many SEAs must determine the costs of various administrative and instructional activities for the purposes of indirect cost recovery from the Federal government and for allocation of State aid to LEAs. There is increasing pressure at the local level to improve the quality of education. An LEA's ability to control the quality of education depends highly on its ability to measure the costs of education programs in relation to their effectiveness.

The National Center for Education Statistics (NCES), by virtue of its responsibilities to report on the condition of education in the United States and to assist States and LEAs with the improvement of their data gathering and reporting systems, has developed a strong interest in the issues surrounding the costing of education programs. NCES's primary concern in this area is to help develop more accurate and comparable cost data by program, and particularly the separation of K-12 costs from costs of other educational activities.

With the program listed as an essential dimension, this guide places greater emphasis on classifying expenditures in the program dimension than does previous handbooks. This change is a reflection of the increasing emphasis on the reporting of results in education in terms of programs.

This chapter discusses the still relatively new techniques of program cost accounting and indirect costing; gives a brief theoretical background to the use of these techniques; and demonstrates a model application of indirect costing in an LEA. Other methods of accumulating financial data to provide managerial information also are discussed.

Framework for the Discussion

Developing effective techniques for applying costs to programs is still an immature art. Much additional work must be done to develop techniques which will have universal applicability and general acceptance. However, as the demands for program information increase, more and more education agencies are grappling with the problem with varying degrees of success. As this process continues, there will evolve a substantial body of knowledge from which more effective techniques will be distilled.

The discussion which follows is an attempt to summarize the current state of the art of program cost accounting, and, perhaps, to provide impetus to the developmental process. Two caveats concerning this discussion need to be stated at the outset: (1) cost accounting systems tend to be unique to the needs of the individual user (currently there is no generally applicable system); and (2) the Federal system for determining allowable indirect costs on Federal projects described in A-87 (OMB, *Cost Principles for State and Local Governments*, 1981) is not the cost accounting system being discussed here.

Cost Accounting Systems Are Unique to the User

It has been fairly well documented that there is no one cost accounting system or specific indirect cost model which would serve all LEAs and higher levels of government equally well. Research clearly shows that the form and substance of a cost accounting system is shaped by its purpose, the costing standards which the user wishes to apply, and the type of financial accounting system used. Its design also is affected by the size of the organization, whether computer support is available, and the level of expertise within the staff. Hence, in this chapter, no standard indirect costing system is proposed. Rather, the theory of indirect cost system design is discussed and some examples shown. LEAs interested in applying indirect costs locally should be prepared to develop a system unique to their own situations.

Federal Indirect Cost Reimbursement

A-87 authorizes indirect costs on Federally funded projects to be reimbursed and establishes the methods of calculating the amount. The stated objective of the Federal indirect cost reimbursement procedure is "to provide that Federally-assisted programs bear their fair share of costs recognized . . . except where restricted or prohibited by law." (A-87) The cost objectives (i.e., programs) stipulated in these regulations are Federally-funded projects operated by an LEA. The indirect cost allocation process usually used for this purpose provides for the calculation of an indirect cost rate or rates for the LEA as a whole. These rates are then applied to selected portions of the LEA's direct expenditures to arrive at overhead or indirect cost amounts for particular projects. Certain costs which might normally be considered

indirect costs to a program are not allowed in the A-87 formula because of legal restrictions.

While this system works well for Federal cost reimbursement purposes, its specialized design makes it inappropriate for developing indirect cost data used by LEA management for decisionmaking and other purposes. Hence, these procedures are not considered further in the discussion that follows.

Program Cost Accounting

An LEA might make several uses of a program cost accounting system. These can be categorized into uses which support internal management decisionmaking, those which aid in justifying funding requests, and those needed in reporting for accountability.

Uses for Internal Management

- *Deciding on Resource Allocation.* Cost data or cost/benefit data can help determine how much money should be allocated to new programs or services, and whether incremental portions of supporting service costs can be saved when existing programs or services are cut back or eliminated;
- *Monitoring Costs.* Cost data can assist in evaluating whether or not a program or service is cost effective compared to the value expected, or whether a cost reduction program is actually working;
- *Setting Tuition Rates or Other Fees.* Cost data can be used to set tuition rate schedules for students who live outside the district. They also are used to set other student-related fees and fees for community use of buildings;
- *Charging For Internal Services.* Many LEAs wish to develop fee schedules for intra-school or interdepartmental services, such as data processing, printing, or distributing materials and supplies. In this way, receiving programs can be charged their equitable share of such costs.

Uses for Funding

- *Justifying Funding Requests.* Program costs can assist in justifying past expenditures, applying for funds for new programs or seeking increased funding for current programs.
- *Deciding Whether To Accept State or Federal Grants.* In recent years, a number of LEAs have begun to question the financial value of accepting certain State and Federal grants. Depending on the spending and reimbursement restrictions placed on a grant, some LEAs may find the portion of the program which must be funded locally to be too burdensome for the value received. Some LEAs have refused or dropped grants for this reason. Program objectives and cost analyses are a helpful basis for making such important decisions.

Uses for Accountability

- For accountability, each LEA provides certain reports to its board and to the State, Federal agencies, or both. There has been a recent tendency to ask for program cost data in some of these reports.

An LEA may choose to satisfy one or several of these objectives simultaneously, or none at all. At any rate, the LEA must have the purpose(s) for developing cost information clearly in mind before designing and implementing a cost accounting system. Otherwise, the LEA risks wasting its time and money and possibly producing cost data which is not as useful as expected. An LEA may wish to allocate revenues to programs also, to provide an additional basis for evaluating those programs.

Program cost accounting does *not* of itself improve the decisionmaking process. Rather, this technique provides both a discipline and a tool for managers to apply when evaluating programs. For example, it is not particularly useful for an LEA administrator to know that a particular program (e.g., Natural Science) costs the LEA \$381 per student. But, it may be helpful to compare this cost to the per-student cost for the same program in the preceding few years (e.g., 1989-\$360, 1988—\$349, 1987 \$339); or to know that the \$381 is made up of \$220 of instructional (i.e., direct) expense and \$161 of support (i.e., indirect) costs; or to compare the cost to the LEA for this program with the costs for a similar program in another LEA. In any of these events, the administrator would still need to consider other intangible factors, such as the importance of the program in question to the community and to the overall educational effort of the LEA.

Setting Cost Objectives

The cost objectives in an LEA's cost accounting system may consist of instructional programs, special projects, or any of several other types of program classifications. However, in most cases the final cost objectives will be comprised of instructional programs and other activities, such as community services, and the indirect cost pools will be comprised of the support service programs.

For an LEA with a financial accounting system based on this publication, the final cost objectives in its cost accounting system could be incorporated directly into the program dimension.

The Program Structure

Obviously, different LEAs will choose to use different program structures and different indirect cost pools. Much has been written about the different ways to establish a program structure in an LEA. Some of the more common methods of categorization of LEA programs include nature of instruction (i.e., regular, special, vocational, adult), level of instruction, subject matter, and course or course cluster. Additional programs in community and enterprise activities often are included.

To insure accuracy, it is desirable to design a program structure which is all-inclusive so that indirect costs, when allocated, are fully distributed. Many LEAs allocate indirect costs only to certain programs (e.g., Chapter 1)—particularly where the objective is cost reimbursement. However, this entails the risk of inconsistency in cost allocation and involves the possibility of double charging.

In any event, it is important to design a program structure whose individual elements are mutually exclusive.

Relationship to Program Budgeting

Program budgeting systems generally describe a mechanism by which the LEA can establish goals and objectives and can design programs to complete those objectives. These programs will then become the "cost objectives" (described above) in the cost accounting system. For a program (or any other) budgeting system to operate successfully, the LEA must establish some mechanism to create a record of actual expenditures made in relation to each of the line items (programs) in the budget. This is the program cost accounting system. It is related to the program budgeting system in that it receives its objectives from that system, and in turn provides cost data which program managers may use to help evaluate the cost-effectiveness of the programs budgeted.

Cost Accounting System Design

A program cost accounting system can be described in terms of seven basic elements:

1. The purpose(s) of the cost accounting system;
2. Final cost objectives;
3. Indirect cost pools (intermediate cost objectives);
4. Costing standards employed;
5. The crosswalk between the financial accounting system and the cost accounting system;
6. The allocation bases; and
7. The indirect cost allocation formula employed.

Distinguishing Between Direct and Indirect Costs

A-87 defines direct costs as:

"... those which can be identified specifically with a particular cost objective." (p. 4)

Indirect costs are defined as:

"... those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved ." (p. 5)

This definition expresses two basic concepts:

- an indirect cost is one that *benefits more than one activity* (cost objective); and
- an indirect cost is one that is *not readily allocated among the activities benefited*.

Any cost transaction which affects more than one program or cost objective should be allocated among them. The best allocation is one which distributes a portion of the cost to each program or cost objective in proportion to the benefit or services received. Thus, if a teacher teaches one-third of his or her time in vocational education and two-thirds in social studies, one-third of his or her salary would be allocated to vocational education and two-thirds to social studies. This distribution of cost can be readily identified and allocated. Therefore, it would be proper to consider the allocated portions of the salary cost as *direct* to their respective program areas. (In this example, assume that subject matter areas have been designated as programs.) If, on the other hand, the LEA could not easily allocate a counselor's salary to programs, then such payments would be posted to a general salary account in the financial accounting system and would be termed indirect costs to all the instructional programs.

Since LEAs generally consider the instructional programs as the cost objectives of the district, then those LEAs may choose to regard all charges to instructional programs as direct costs, whether they are direct charged at the time of the transaction or allocated later. In the public sector, there is generally a great deal of interest in the components of a program's cost. These should be developed in such a way that both school managers and the general public can compare them between programs and between districts. Hence, within a State, it is probably desirable to arrive at mutual agreement on the distinction between direct and indirect costs.

In summary, the relationship between a cost and the various cost objectives being analyzed will determine whether a

cost is direct or indirect. Further, deciding whether some costs are direct or indirect is often judgmental, involving consideration of how much precision is required in cost analysis results and how much effort and expense might be needed in achieving this precision. Such factors as whether the financial accounting system is functionally oriented or based on the LEA's organization structure can effect the effort needed to produce the desired program costs.

Costing Standards

Proper costing standards promote cost data that is internally consistent and highly comparable. Data developed under widely varying costing standards may provide misleading comparisons and may contain hidden inaccuracies.

An excellent discussion of costing standards is found in an article jointly published by NACUBO and NCHEMS. While written for institutions of higher education, it is equally applicable to elementary/ secondary education. With regard to costing standards, it says:

"The term 'costing standards' as used here refers to principles that should be applied in determining cost. Costing standards constitute the framework or foundation on which costing is performed. Because costing standards are basic definitions of how costs should be determined they provide a better understanding of the meaning and applications of costing.

"Costing standards facilitate a more consistent determination of cost; however, the application of these standards will not insure uniform determination of cost information, because judgmental and other factors are involved in the costing process. Costing standards provide criteria for the selection of costing alternatives that are valid in terms of their justification of cost accumulation and allocation within a conceptual foundation of cost accounting theory.

"The development of costing standards is an evolving process and additional standards may be added from time to time as more study is given to this complex subject." ["Fundamental Considerations for Determining Cost Information in Higher Education"; National Association of College and University Business Officers, One Dupont Circle, Washington, D.C. 20036, 1975, p. 14]

Among other standards, this article suggests that:

- cost information be based on the accrual method of accounting;
- cost data be reconcilable to official financial accounting data;
- non-financial data be reconcilable to official institutional records;
- uniform definitions be employed in determining cost;
- cost information and related costing service units cover the same time period;
- cost information be consistently determined from period to period and from organizational unit to organizational unit;
- indirect costs be allocated practically;
- capital cost of a cost objective reflect the applicable expired (i.e., depreciated) cost of the period; and
- cost information be accompanied by a disclosure statement. [p. 14]

Structure of the Financial Accounting System

Cost data are provided to the cost accounting system by the financial accounting system. The account structure of the latter must be examined to see how readily costs can be transferred, or crosswalked, from the financial accounts to the cost objectives in the cost system. In circumstances where the cost system and the financial accounting system have been well-planned and coordinated, the financial accounts may coincide with the final cost objectives. The ideal situation is to have all final cost objectives identically represented in the financial accounting structure, thus making the crosswalking of data from one system to the other a direct one-to-one transfer of data.

However, in many LEAs the final cost objectives will not match the accounts in the financial accounting system identically. For example, an LEA may account for expenditures for "special education--instruction" in its financial accounting system, yet desire a breakdown of special education costs by type or handicap in its cost accounting system. To meet these requirements, the "special education instruction" account would have to be further analyzed by handicap for cost accounting purposes. This takes time and effort, and introduces a degree of inaccuracy into the resulting cost calculations. Consequently, it is important to carefully identify all financial accounts that will supply data for each final cost objective and to minimize the amount of analysis that must take place during the crosswalk process. This may require modification of either the cost objectives or the financial account structure so that they relate more directly to one another.

Allocation Bases

In a cost accounting system, each indirect cost pool accumulates the costs of a certain type of support service. For each support service, a unit of measure can be selected which directly relates the costs of that service to the amount of benefit received by each program. For example, the amount of student personnel services associated with the

instructional programs may be considered to vary with the number of students in each program. These units of measure are used to allocate support costs to each program. When used for this purpose, such units of measure are called allocation bases.

The principal considerations in selecting allocation bases are accuracy and cost of collection. These often tend to conflict with each other.

Proper choice of the allocation bases used can greatly affect the resulting accuracy of the indirect cost allocation formula. The more direct the relationship between an allocation basis and the cost of support services received by the benefiting program, the more closely the resulting *calculated* program costs will approximate the "real" program costs. However, it must be recognized that the calculation of true program cost can only be a goal which will probably never be realized. Any cost accounting system does involve a process of estimation, so that the resulting costs applied to a program can only be an approximation of that program's "real" cost.

It may be impossible to identify an allocation basis which relates well to all the costs in an indirect cost pool. In this case, dividing the pool into groups of homogeneous services and selecting the best allocation basis for each will improve the accuracy of cost calculations.

When two or more indirect cost pools can be allocated using the same allocation basis, they may be combined to form a single indirect cost pool. The resulting pool can then be allocated with the same accuracy, saving the effort required to allocate each pool separately.

The cost of collecting data for use in the allocation formula varies according to the basis used. For example, two suitable bases for allocating the cost of student transportation services to instructional programs might be (1) the average daily membership (ADM) in each program, and (2) the number of student-miles per program (the number of miles each student in a program is transported). The costs of collecting the data for these alternative allocation bases would be very different. ADM is normally collected anyway and could probably be easily related to programs, while student-miles per program probably would involve an expensive logging, pro-rating and accumulation system. In this case, the LEA would probably choose to use ADM as its allocation basis.

The more common allocation bases used in LEAs are: (1) number of students, (2) number of teaching staff, (3) number of units consumed, produced, or processed, (4) elapsed time, (5) space occupied, (6) space occupied over time, (7) mileage, and (8) dollars. The listing below shows the allocation basis or bases most commonly used in LEAs for the indirect cost pools most commonly employed.

*Type of Service
(Indirect Cost Pool)*

Most commonly used allocation bases

Student Support	ADM, ADA, time spent by staff providing service
Instructional Staff Support	FTE teaching staff, time spent
General Administration	Direct program expenditures, time spent, FTE employees
School Administration	Direct program expenditures, time spent, FTE employees
Business	Number of transactions, direct program expenditures
Operation and Maintenance of Plant	Floor space occupied, space occupied over time, labor hours
Student Transportation	Miles driven, student miles driven, driver hours
Central Support Services	Direct program expenditures, time spent, FTE employees
Facilities Acquisition and Construction	Usually not allocated
Other Outlays	Usually not allocated

While the listing shows typical allocation bases in an LEA, many other combinations are possible. Indirect cost pools can be further combined or further expanded, and many other allocation bases are both possible and logical for varying circumstances. The listing should in no sense be regarded as definitive in this area. The selection of the indirect cost pools and allocation bases are among the most critical factors in the design of the LEA cost system and must be tailored both to its objectives and to its degree of sophistication.

Indirect Cost Allocation Formula

The indirect cost allocation formula is the heart of the cost system. It consists of rules or constraints which dictate how the indirect costs will be distributed among the cost objectives. There are three common techniques by which indirect costs are allocated: using a one-step process, a multi-step process, or simultaneous equations.

As with the other components of the cost system, the key consideration in the design of the allocation formula is the tradeoff between precision and complexity. Greater precision can increase the potential for a closer approximation of true program costs; but more precise allocation formulas are usually more complex. With computer support, this complexity may not be a disadvantage; but without computer support, the complex calculations in some formulas can

result in a great expenditure of resources, and can increase the probability of erring.

The user, as a rule, should not attempt to employ an allocation formula which provides greater precision than the other components of the cost system. For example, it would probably be inappropriate to use simultaneous equations or a multiple-regression formula to allocate indirect costs if those costs were accumulated in only a few indirect cost pools and allocated by such gross measures as total direct dollars expended.

Following is a discussion of the three general types of cost allocation formulas.

One-Step Cost Allocation Formulas

One-step (or "single-fold") cost allocation formulas are designed so that all indirect costs are distributed only to the final cost objectives and not to other indirect cost pools. Each indirect cost pool is fully allocated the first time; there are no additional allocations. The assumption underlying this approach is that the services whose costs are contained in each indirect cost pool are rendered only to the final cost objectives (such as instructional programs) and not to any of the support functions or activities in the other indirect cost pools. This assumption is not always true—support services can often serve other support activities. An example can be constructed using custodial services: part of custodial services go to support the payroll function (e.g., keeping the payroll department clean); the payroll department in turn supports student personnel services by paying salaries to counselors; and counselors offer services to students and thereby can be linked to the cost of instructional programs. Such interrelationships of support services are not reflected in the one-step process.

Two-Step Cost Allocation Formulas

Two step (or "double-fold") cost allocation formulas recognize that some support programs serve not only instructional programs but other support programs as well. In the first step of this approach, indirect costs are allocated to both instructional programs and to other indirect cost pools according to the proportion of services provided. Therefore, unlike the one-step process, some indirect cost pools still have costs assigned to them at the end of step one. In step two, all remaining indirect costs are allocated to the instructional programs; none are allocated to other indirect cost pools.

Cost Allocation Formulas Using Simultaneous Equations

This is the most accurate of the cost allocation methods. Like the two-step approach, it also recognizes that some support programs serve both instructional programs and other support programs. However, while the two-step approach violates this assumption in its second step, this method does not. By using a set of simultaneous equations, this method, in effect, keeps allocating back and forth among instructional programs and indirect cost pools until the amounts in the indirect cost pools are reduced to zero. As a result, the formula itself contributes no inaccuracy to the final program cost results. Any imprecision in the results must come from such other variables in the cost system as the allocation bases chosen.

Choosing the Indirect Cost Allocation Formula

The one-step approach is the least accurate in terms of distributing indirect costs to the programs they actually support (without considering the accuracy of the other elements which comprise the cost system). However, the sacrifice in accuracy associated with the one-step method can be offset by its relative simplicity. Also, depending on how the rest of the cost system is designed (cost objectives, allocation bases, etc.), it is usually the least costly to use. For these reasons, a one-step cost allocation formula is the logical choice for most LEAs. In particular, LEAs without computer support that wish to minimize clerical involvement in calculating indirect costs should probably select this approach. For LEAs with computer support and more sophisticated accounting systems, the selection of a cost allocation formula may depend on the specific costing purpose. For research purposes or large, detailed cost studies, the simultaneous equations approach may be preferred. For smaller projects, the two-step approach, or even a one-step formula may be suitable.

The criteria to consider when designing an indirect cost allocation formula are:

1. Does the situation require detailed, highly accurate program costs?
2. Will the cost allocations be calculated by hand or by computer?
3. Does the required level of accuracy justify the time, effort, and money that may have to be expended?
4. If either the two-step method or the simultaneous equations method is to be employed, has the rest of the cost accounting system been designed to support this level of accuracy?

Applying Indirect Costing—An Example

Let us now use the principles discussed above to establish a model of an indirect cost system which might be used in an LEA. This model is included as an example only and should not be construed as a standard for use by all LEAs.

Design Goals

Our hypothetical LEA has two primary purposes in attempting to establish a program cost accounting system. At the last two or three annual meetings, citizens have shown greater and greater interest in the costs of attaining certain educational objectives. They seem particularly concerned about the "extra" programs the district is offering such as athletics, adult education and the school lunch program. One objective, then, is to collect cost data about these programs.

Management's other objective is to develop good data on per-student costs for various kinds of educational services to be used in negotiating tuition rates with neighboring districts.

These, then, were established as the objectives of the program accounting system. Concurrently, it was decided that:

1. The approach used should produce program costs that have reasonable accuracy and precision;
2. The approach should be reasonably simple to implement; and
3. The approach should take as little time as possible to operate.

Cost Objectives

The hypothetical LEA determined that the purpose of its model program costing system was to delineate the costs of its major programs. These, then, would become the final cost objectives in the system. The program structure selected was: regular education, vocational education, special education, other PK-12 education, adult/continuing education, community services and food services.

Costing Standards

The costing standards employed would be based upon those used in the financial accounting system already

operational in the hypothetical LEA. That is:

1. Cost reports will be prepared for the full year at the end of the fiscal year;
2. Expenditure data are recorded on the accrual basis at year's end. Since cost reports will be required only at year's end, this procedure will be satisfactory; and
3. Most of the allocation basis data will be extracted from the data used to prepare the annual statistical report for the State. Some analysis will have to be done to develop these data on a program basis. Also, it will be necessary to adjust some of these data to reflect the fiscal year (July to June) rather than the school year (September to August).

Indirect Cost Pools

Seven indirect cost pools will be used: student support, instructional support, school administration, other administration, operation and maintenance of plant, student transportation and property.

Crosswalk From Financial Accounting

Except for the application of property-use costs, all financial information will crosswalk from the financial accounting system without analysis.

Indirect costs in this system will be only those costs charged to one of the seven pools *and* to program 000-Undistributed Expenditures. Some costs will be assigned to the support services functions but will be direct-charged to programs at the time of recording the transaction. For example, the guidance counselor at the high school spends half of his/her time working with special education students and half in regular education. The counselor's salary is charged directly to these two programs even though it is also charged to function-Guidance. As another example, the district has determined that all costs of preparing and serving food in the lunchroom can be direct-charged to the food service program. Only custodial and some administrative costs remain to be allocated in this case.

Allocation Bases

The LEA has determined that it will use the following allocation bases for the various indirect cost pools:

<u>Indirect Cost Pool</u>	<u>Allocation Basis</u>
Student Support	Average daily membership (ADM)-students, by program
Instructional Support	Full-time-equivalent (FTE) teaching staff assigned each program
School Administration	Full-time-equivalent (FTE) teaching staff assigned each program
Other Administration	Total program direct expenditures
Operation & Maintenance of Plant	Square feet assigned each program
Student Transportation	Miles driven by program
Building Use Costs	Square feet assigned each program
Equipment Costs	Total program direct expenditures

ADM, FTE teaching staff and program expenditure data will be derived from the annual statistical report prepared for the State. Square feet assigned each program will be computed at the beginning of each school year based upon the classroom assignments made at that time. For this purpose, arbitrary allocations will be made for adult/continuing and for community services, since these programs use the same space assigned to the other programs, but at different times of the day. Miles driven will be summarized by program from the student transportation vehicle logs.

Indirect Cost Allocation Formula

One important decision is needed, and that has to do with the way in which building and equipment costs are accounted for in program costing. Presently, equipment purchases are treated as expenditures at the time of purchase, while most building costs are expensed in the capital projects fund and then recorded in the general fixed assets group of accounts.

Management is not sure how to treat these costs, so the business manager experiments with three approaches:

1. Treat equipment purchases as expenditures of the current year and ignore building costs, as is now done;
2. Capitalize all property purchases and depreciate them; or
3. Capitalize all property purchases and apply some sort of building and equipment use cost in place of depreciation.

Thus, three different formulae for cost allocation will be used.

Year-End Data

At the end of the fiscal year, the LEA had recorded the information in its financial accounting records. The direct cost data from the financial accounting records and the additional statistical and financial data given above (ADM, FTE, Square Feet, and Miles driven), constituted all the information needed by the business manager for program costing. With these data, the three computations of program costs were made.

Method 1—Equipment as Current Expenditure

The first approach considered involves treating equipment costs as current expenditures and ignoring any current costs for the use of the buildings. This approach has the advantage of being simpler to use but does not do a very good job of relating the costs of use of buildings and equipment to the programs (or periods) in which they are used. Since equipment is to be direct-charged to programs at the time of purchase, this method involves only two steps to calculate program costs:

1. Allocating the support service (indirect) costs to programs; and
2. Computing program cost totals.

Allocating Support Services Costs

The allocation of support services costs to programs has two parts: calculating the percentage of costs that apply to each program; and computing the amount to be allocated to each. For example, the first indirect cost pool to be allocated is student support. It has been decided that this pool will be allocated using the percentage of ADM assigned to each program from the statistical data.

Method 2—Depreciating Property

To perform the indirect cost calculation using depreciation (method 2), it is necessary first to deduct equipment and building costs from the total direct expenditures amount and to capitalize them along with other property acquired earlier.

Obviously, this approach involves more bookkeeping. However, it has the clear advantage of relating the costs of equipment use to the periods in which they are used. Further, it recognizes that there is a cost associated with the use of the buildings, although some would consider that a sunk cost. This factor was ignored in the first approach.

Using the depreciation approach, three steps are needed to complete the program costing activity:

1. Computing the amount to be depreciated. For this purpose, the simplest method available was used—straight line depreciation of equipment over 10 years and buildings over 50 years. The resulting depreciation amounts will be placed in cost pools for allocation to programs on a budget year basis;
2. Allocating indirect costs (including depreciation) to programs; and
3. Computing program cost totals.

Depreciation

A tabulation shows the LEA that it has total undepriciated property at the end of the fiscal year amounting to \$22,880,005. Since land is not depreciated, the depreciation calculation is as follows:

1. Buildings: \$18,674,170 (undepriciated amount) x .02 (annual depreciation factor using straight-line over 50 years) = \$373,483 (annual depreciation)
2. Equipment: \$2,999,835 (undepriciated amount) x .10 (annual depreciation factor using straight-line over 10 years) = \$299,984 (annual depreciation)
3. For a total annual depreciation of \$673,467 for the current year.

Indirect Cost Allocation

Using these data, the LEA computed the allocation of each indirect cost pool to the programs. Notice that the amounts allocated in the pools changed from Method 1 because depreciation was used in place of equipment costs. To simplify this computation, the LEA added equipment depreciation to the amount in the Other Administration pool and building depreciation to the amount in the Operation and Maintenance pool before computing the allocations. This could be done because the allocation bases selected in these cases were the same.

Method 3—Building and Equipment Use Charges

The calculation using building and equipment use charges is similar to the depreciation method, except that a use charge is substituted for the depreciation charge. Some believe this to be a fairer way of accounting for the utilization of property since it can be established to reflect replacement cost. The problem with using depreciation as a current charge is that depreciation is calculated as a percentage of the original cost of the item—a cost which may have been "booked" years ago.

There is no agreed-upon standard approach for calculating use charges. Therefore, to establish a cost base which more nearly represented the current value of the LEA's property, it was decided to use the annual valuation made for insurance purposes. For the current year, that valuation was:

Buildings	\$22,185,004
Equipment	\$ 4,049,034

To this increased base cost the same percentages are applied as with the depreciation method (i.e., buildings, 2 percent; equipment, 10 percent) to arrive at equitable use charges. The amounts so computed and entered into the indirect cost pools then were:

- | | |
|---|---------------------------------------|
| 1. Operation and maintenance (building use charges) | $\$22,185,004 \times .02 = \$443,700$ |
| 2. Other administration (equipment use charges) | $\$ 4,049,034 \times .10 = \$404,903$ |

Analysis

A summary of the three methods indicates the following conclusions:

1. In relation to the overall costs of operating major programs, there does not seem to be much difference in the method used. However, if looked at in context of property charges only, costs applied vary by almost 100 percent between methods.
2. The costs of each program as a percent of the total expenses did not vary much from one method to the other, although the per-student expenses would be considerably different with the three methods.
3. When property use charges are applied, citizens' concerns about some of the LEA's peripheral programs seem to be borne out. Costs for Other PK-12 Education increased by 12 percent, and for Food Services by 10 percent when the cost of the facilities provided them is considered.

Reporting Program Cost Results

A Statement of Current Expense was prepared using method 3 as the basis of presenting program costs to the board and the public. In this presentation, the focus was on reconciling the program cost analysis to the expenditures reported in the general purpose financial statements.

Units of Measure

A variety of measures are developed for operating schools that use financial data. Among them are: current expenditures, per-student cost, and excess costs.

Current Expenditures

"Current expenditures" is a term describing the expenditures of the current year used to educate elementary/secondary students. In general, *current expenditures* include all current outlays of the LEA for elementary/secondary education, not including outlays for: (1) acquiring property; (2) enterprise-type operations of the LEA (whether or not included in the proprietary funds) recovered through offsetting revenues; and, (3) debt retirement.

"Current expenditures per student" is a measure used for several different purposes by users of educational data. These include: comparing program costs between States and LEAs; measuring the quality of educational opportunity; and reimbursing direct expenditures under various State and Federal aid programs. Generally, these costs will be most useful when compared on a program basis. *Current expenditures per student* is a ratio composed of two measures, each of which is described separately.

Using the expenditure classification structure contained in this handbook, "current expenditures" include all expenditures for elementary/secondary education from pre-kindergarten through grade 12 (regular elementary/secondary programs; special education programs; vocational education programs; cocurricular activities and athletics; enterprise programs; ROTC; driver education; summer school [even when students pay tuition to attend] for the functions of instruction, support services and operation of non-instructional services. Expenditures for acquiring

property and revenues from fees and charges to individuals must be subtracted from this amount.

Specifically excluded are expenditures for nonpublic school programs; adult/continuing education; community/junior college education; and community services programs (including child care), and the functions of facilities acquisition and construction services and other financing sources.

Current Expenditure Per Student

Current expenditure per student is a measure of long standing, indicating, to some extent, community effort. It was adopted when general or basic education comprised most of the educational curriculum. The extension of the school day and school year to include special education, vocational education, adult/continuing education, and community services in evening and summer sessions has tended to make less valuable the per-student expenditure measure. The reason is that the units being compared are less alike. On the other hand, this measure has become increasingly important as the emphasis on achieving equality of educational opportunities has increased.

The units to be compared in determining per-student expenditures are:

1. The types of activities (programs) for which expenditures are made (e.g., regular, vocational, special educational);
2. Length of time students are in session (e.g., six hours per day for 180 days versus three hours for 80 days in the summer session or three hours per session for 36 sessions in the evening classes); and
3. The student unit of measure (e.g., average daily membership, average daily attendance, enrollment, or other).

As these three types of units approach similarity, the comparison of per-student expenditure measure has more meaning. The per-student expenditures for an elementary school have value when comparing them to another elementary school. But those of a secondary school in which there exists only a program for preparing students for postsecondary education may not be comparable to expenditures in a school which prepares students only for immediate employment. Similarly, the per-student expenditures of an LEA where the programs consist of elementary and secondary education are not comparable to those in an LEA that, in addition to the above-mentioned programs, has adult/continuing education programs. Therefore, it becomes important to specify the program for which the per-student expenditures are made.

In this handbook, for purposes of comparability and to indicate LEA effort, it is recommended that average daily membership be used in computing per-student expenditures and that, when using them without reference to particular programs, they be computed for elementary and secondary education only in regular day session. In most cases, it will be desirable to express the average daily membership in terms of full-time-equivalent (FTE) students assigned to programs.

The procedure for computing the current expenditures per student for an LEA, then, would be to sum all current expenditures (defined above) for public elementary and secondary education in the regular day session (subtracting the expenditures for all other programs and their prorated share of the support programs). Then divide the sum by the average daily membership (or other measure of attendance) for the year.

When computing the per-student expenditures for a particular LEA program, such as vocational education, it is important to include all costs--prorated indirect costs and direct costs. In other words, those indirect costs of vocational education, such as operation and maintenance, student support services, staff support services, and others, must be included. This procedure was discussed previously.

Current expenditures per student can be calculated for each program by dividing the current expenditures of that program by the unit of measure of student attendance in that program.

Excess Costs for Special Education

Laws governing the use of Federal funds for special programs to educate the handicapped dictate that such funds may only be used to pay the excess costs of providing special education and related services for handicapped children. "Excess costs" are defined as: "Those costs which are in excess of the average annual per student expenditure in a local educational agency during the preceding school year for an elementary or secondary school student, as may be appropriate." [P.L. 91-230, as amended by P.L. 94-142, Part B, Section 602(20), quoted from *A Compendium of Federal Education Laws (as Amended Through June 30, 1977)*, U. S. Government Printing Office, Washington, D.C., 1977, p. 765.]

Using the classifications presented here, excess costs may be computed as follows:

1. The LEA determines current expenditures (calculated as above) for students in the regular, vocational and other instructional (PK-12) programs. This includes an allocation of indirect support services costs to these programs;
2. This total is then divided by the number of full-time-equivalent (FTE) students (including "main-streamed" handicapped students) in these programs, giving "average annual per-student expenditures";
3. Total current expenditures for special education programs are then calculated (including allocated indirect support services). Amounts expended for equipment in the special programs should be added;

4. This total is divided by the FTE students in handicapped programs to arrive at average annual per-student expenditures for special education programs;
5. The amount calculated in step 4 is reduced by the average annual per-student expenditure amount arrived at in step 2 to give "excess costs."

CHAPTER 6

ACCOUNT CLASSIFICATION DESCRIPTIONS

This chapter details the major categories for revenue, expenditure, and balance sheet accounts described in chapter 3. Since the fund codes apply to all three types of accounts, they are described separately at the outset.

LEAs may assign additional local codes as necessary. However, for codes which would not be unique to the district or a small number of districts, the LEA shall contact the DE consultant for LEA Accounting for a uniform code to be assigned.

Fund Classifications

Code Description

10 General Fund. Accounts for all financial resources of the LEA except those required to be accounted for in another fund.

20 Special Revenue Funds. Account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. Some examples of special revenue funds might include:

- Restricted State or Federal grants-in-aid;
- Restricted tax levies.

A separate fund may be used for each restricted source, or one fund may be used supplemented by the dimension Project/Reporting code.

Special Revenue Funds include Student Activity Fund, Management Levy Fund, PPEL Fund, PERL Fund, AEA Special Education Instruction Fund, AEA Juvenile Home Fund, 67.5 Cent Levy Fund, and Library Levy Fund.

- 21 Student Activity Fund. A special revenue fund used to account for money received from student-related cocurricular or extracurricular activities. Moneys in this fund must be used to support only the program defined in the administrative rules of the Department of Education. The Activity fund should not be used as a clearing account for another fund.
- 22 Management Levy Fund. A special revenue fund used to account for all financial transactions from the levy authorized by Iowa Code section 298.4. The purpose of this fund is to pay the costs of unemployment or early retirement benefits, and the costs of liability insurance and judgments or settlements relating to liability. This fund cannot be used for employee health, life, or disability insurance, even if the district is self-insured.
- 23 Physical Plant & Equipment Levy (PPEL) Fund. A special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, by Iowa Code section 298.2. This fund is created to deposit and expend money from a levy certified by the Board of Directors not to exceed 33 cents and/or a levy authorized by a simple majority of the voters not to exceed \$1.34. The purpose of the fund is to pay the costs of specified major expenditures related to real property and equipment.
- 24 Public Education and Recreation Levy (PERL) Fund. A special revenue fund used to account for all financial transactions from the levy authorized by Iowa Code section 300.2, or from a 28E agreement authorized by section 300.1. This levy is limited to not more than 13.5 cents and, once approved by the electors, remains in effect until voted to be discontinued.
- 25 AEA Special Education Instruction Fund. A special revenue fund used to account for the revenues and expenditures of the special education instructional program of the AEA as provided by Iowa Code subsection 273.9(2). Special Education support services as proved by Iowa Code subsection 273.9(3) should be accounted for in the General Fund.

- 26 AEA Juvenile Home Fund. A special revenue fund used to account for the revenues and expenditures for the educational program for juvenile homes as provided by Iowa Code section 282.30.
- 27 Trust Funds that Benefit the District / AEA (GASB Statement 34). Used for a trust received when the principal **and** interest from the trust can be used for purposes that support the district's /AEAs programs.
- 27 Other Special Revenue Fund (moving to number 29)
- 28 67.5-Cent Levy Schoolhouse Fund. A special revenue fund used to account for all financial transactions from the levy authorized by Iowa Code subsection 278.1(7). This fund must continue in existence until all tax has been collected and all moneys have been expended for the purposes originally authorized by the electors. The opportunity to seek a new or renewed 67.5-cent Schoolhouse levy has expired.
- 29 Other Approved Special Revenue Funds, including the Library Levy Fund. The Clear Creek-Amana Community School District uses the Library Levy Fund, which is a special revenue fund used to account for all financial transactions from the levy authorized by Iowa Code section 298.7. Other Special Revenue funds are used by the AEA to account for other special revenue funds as approved by the DE.

30 Capital Projects Funds. Account for financial resources used to acquire or construct major capital facilities (other than those of proprietary funds and trust funds). The most common source of revenue in this fund would be the sale of bonds. A separate fund may be used for each capital project or one fund may be used, supplemented by the dimension Project/Reporting code.

- 31-32 Capital Projects from Bonds. Capital projects funds established from proceeds of the issuance of bonds approved by the electors.
- 33-39 Capital Projects from Sources Other than Bonds. Capital projects funds established from sources other than bonds issued pursuant to Iowa Code section 296.6.
- 33 Local Option Sales and Services Tax fund. A capital projects fund used to account for all financial transactions from the local option sales and services tax for school infrastructure authorized by Iowa Code chapter 422E.

40 Debt Service Funds. Account for the accumulation of resources for, and the payment of, general long-term debt, principal and interest.

45-49 Permanent Funds (GASB Statement 34). Used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that **support the district's /AEA's programs**. Permanent funds do not include private-purpose trust funds. Boards may establish permanent funds as necessary.

50 Enterprise Funds. Account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs (expenses, including depreciation and indirect costs) of providing goods or services to the students or general public on a continuing basis are financed or recovered primarily through user charges. Enterprise funds are also used to account for operations where the school board or State regulatory agency has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Some examples of enterprise funds might include funds used for the food service program, child care program, the bookstore operation, the athletic stadium and the community swimming pool.

Enterprise Funds include the School Nutrition Fund, Child Care Fund and the AEA COOP Fund.

- 51 School Nutrition Fund. A proprietary enterprise fund used to account for all transactions for the nutrition program authorized by Iowa Code Chapter 283A.
- 52 Child Care Fund. A proprietary enterprise fund used to account for all financial transactions for the child care program authorized by Iowa Code section 279.49.

- 58 AEA COOP Fund. A proprietary enterprise fund used to account for the purchasing cooperative operated primarily by AEAs.

60 Internal Service Funds. Account for the operation of LEA functions that provide goods or services to other LEA functions, other LEAs, or to other governmental units, on a cost-reimbursable basis. Some examples of internal service funds could include those used for central warehousing and purchasing, central data processing, and central printing and duplicating and a self-insurance fund.

70 Trust and Agency Funds (eliminated when GASB Statement 34 is implemented). Account for assets held by an LEA in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds would include nonexpendable trust funds, expendable trust funds, and pension trust funds. Agency funds could include a grant consortium when the District serves as fiscal agent for the other districts, and funds for a teacher or a parent-teacher organization which has its own FIN.

70 Fiduciary Funds (GASB Statement 34). Account for assets held by an LEA in a trustee or agency capacity for individuals, private organizations, or other governments, and therefore, cannot be used to support the district's / AEA's own programs. The fiduciary fund category includes private-purpose trust funds, pension trust funds and agency funds. Agency funds could include a grant consortium when the District serves as fiscal agent for the other districts, and funds for a teacher or a parent-teacher organization which has its own FIN. Trusts received that benefit the district/AEA are reported as either Special Revenue Fund Trusts that Benefit the District/AEA or as Permanent Funds.

- 71-72 Expendable Trust Funds (eliminated when GASB Statement 34 is implemented). Trust funds in which the principal contribution can be used. **These will be reported as Special Revenue Fund Trusts if the district benefits from the trust or as Private-Purpose Trust Funds if the benefit is to other than the district or AEA.**

- 73-74 Nonexpendable Trust Funds (eliminated when GASB Statement 34 is implemented). Trust funds in which the principal contribution must remain intact. The interest earned will be transferred to an expendable trust fund to be used. **These will be reported as Permanent Trusts if the district benefits from the trust or as Private-Purpose Trust Funds if the benefit is to other than the district or AEA.**

- 71-74 Private-Purpose Trust Funds (GASB Statement 34). Trust funds under which principal and income benefits individuals, private organizations, or other governments. Trusts received for scholarships are considered private-purpose trust funds.

- 75 Pension Trust Funds. Trust funds that report resources that are required to be held for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

- 76-79 Agency Funds. Funds which are custodial in nature and which the assets are held on behalf of the owner. Assets equal liabilities. If your District is serving as fiscal agent for a consortium grant, your District will account for the other districts' shares in an agency fund.

80 General Fixed Assets Account Group. Records the cost of all property, plant and equipment other than those accounted for in the proprietary funds or fiduciary funds. General fixed assets could include sites, site improvements, buildings and building improvements, machinery and equipment.

90 General Long-Term Debt Account Group. Records the principal amount of all long-term liabilities, excluding those of the proprietary funds or fiduciary funds. The long-term liabilities could include general obligation bonds, capitalized lease obligations, legal judgments, special assessments payable to cities or other governmental units, unfunded pension liabilities, and notes and warrants which are not due within one year.

For information on the proper use of funds in Iowa, consult the *Uniform Administrative Procedures for Iowa School Officials*, 1993.

Fund

Descriptions for the fund codes are at the beginning of this chapter.

Source

Source permits segregation of revenues and other financial sources by source of funding. The primary classification differentiates local, intermediate, state and federal revenue sources. Revenues from restricted sources would be further classified using the project/reporting dimension.

Code Description

1000 Revenue From Local Sources

1100 Taxes Levied/Assessed by the LEA. Compulsory charges levied by the LEA to finance services performed for the common benefit.

1110 Ad Valorem Taxes. Taxes levied by an LEA on the assessed value of property located within the LEA which, within legal limits, is the final authority in determining the amount to be raised for school purposes. Penalties and interest on ad valorem taxes should be included in account 1140.

1111 Regular Tax. Property taxes are deposited into the various funds according to the purposes levied and certified.

1112 Cash Reserve Tax. Taxes levied by the LEA in order to raise an amount for a necessary cash reserve/cash flow per Iowa Code section 298.10. All taxes are deposited into the General Fund.

1113 Enrichment Tax. Additional taxes approved by the electors prior to July 1, 1991, and certified by the LEA to be levied under Iowa Code sections 279.52 and 279.53. All taxes are deposited into the General Fund.

1114 Instructional Support Tax. Additional taxes approved by the electors or by the board of directors and certified to be levied under Iowa Code section 257.18. All taxes are deposited into the General Fund.

1115 Educational Improvement Tax. Additional taxes approved by the electors and certified to be levied under Iowa Code section 257.29. All taxes are deposited into the General Fund.

1120 Sales and Use Taxes. Taxes assessed by the LEA imposed upon the sale and consumption of goods and services. It can be imposed upon the sale and consumption either as a general tax on the retail price of all goods and/or services sold within the LEA jurisdiction with few or limited exemptions, or as a tax upon the sale or consumption of selected goods and services. Separate accounts may be maintained for general sales tax and for selective sales taxes. Penalties and interest on sales and use taxes should be included in account 1140.

1121 Local Option Sales and Services Tax. Revenue from the local option sales and services tax authorized by the voters in accordance with Iowa Code chapter 422E.

1130 Income Taxes. Taxes assessed by the LEA, and measured by net income that is, by gross income less certain deductions permitted by law. These taxes can be levied on individuals, corporations, or unincorporated businesses where the income is taxed distinctively from individual income. Separate accounts may be maintained for individual, corporate, and unincorporated business income taxes. Penalties and interest on income taxes should be included in account 1140.

1133 Enrichment surtax. Revenue from the surtax of Iowa personal income tax authorized by the voters in accordance with Iowa Code sections 442.14, 442.15 and 279.53. The revenue payments are made twice a year (December and February) and shall be deposited in the General Fund.

1134 Instructional Support surtax. Revenue from the surtax of Iowa personal income tax authorized by the voters or by the board of directors in accordance with Iowa Code sections 257.18 and 257.19. The revenue payments are made twice a year (December and February) and shall be deposited in the General Fund.

1135 Educational Improvement Surtax. Revenue from the surtax of Iowa personal income tax authorized by the voters in accordance with Iowa Code section 257.29. They revenue payments are made twice a year (December and February) and shall be deposited in the General Fund.

1136 PPEL Surtax. Revenue from the surtax of Iowa personal income tax authorized by the voters in accordance with Iowa Code section 298.2.

1140 Penalties and Interest on Taxes. Revenue from penalties for the payment of taxes after the due date, and the interest charged on delinquent taxes from the due date of actual payment. A separate account for penalties and interest on each type of tax may be maintained.

1190 Other Taxes. Other forms of taxes the LEA levies/assesses, such as licenses and permits. Separate accounts may be maintained for each specific type of tax.

1191 Mobile Home Tax. Revenue from mobile home license fees for taxes levied on mobile home or mobile home part owners in accordance with Iowa Code section 435.25. The mobile home tax must be spread against the various individual funds in the same proportion as other district taxes received.

1200 Revenue From Local Governmental Units Other Than LEAs. Revenue from the appropriations of another local governmental unit. The LEA is not the final authority, within legal limits, in determining the amount of money to be received, and the money is raised by taxes or other means which are not earmarked for school purposes. This classification could include revenue from townships, municipalities, counties, etc.

1210 Ad Valorem Taxes. Taxes levied for school purposes by a local governmental unit other than the LEA. The LEA is not the final authority, within legal limits, in determining the amount to be raised. For example, after an LEA has determined that a certain amount of revenue is necessary, another governmental unit may exercise discretionary power in reducing or increasing the amount. Separate accounts may be maintained for real property and for personal property. Penalties and interest on ad valorem taxes should be included in account 1240.

1220 Sales and Use Tax. Taxes assessed by a local governmental unit other than an LEA and imposed upon the sale and consumption of goods and services. It can be imposed either as a general tax on the retail price of all goods and/or services sold within the LEA jurisdiction with few or limited exemptions; or as a tax upon the sale or consumption of selected goods and services. Separate accounts may be maintained for general sales tax and for selective sales taxes. Penalties and interest on sales and use taxes should be included in account 1240.

1230 Income Taxes. Taxes assessed by a local governmental unit other than an LEA, measured by net income—that is, by gross income less certain deductions permitted by law. These taxes can be levied on individuals, corporations, or unincorporated businesses where there is income. Separate accounts may be maintained for individual, corporate, and unincorporated business income taxes. Penalties and interest on income taxes should be included in account 1240.

- 1240 Penalties and interest on Taxes. Revenue from penalties for the payment of taxes after the due date, and the interest charged on delinquent taxes from the due date of actual payment. A separate account for penalties and interest on each type of tax may be maintained.
- 1280 Revenue in Lieu of Taxes. Payments made out of general revenues by a local governmental unit to the LEA in lieu of taxes it would have had to pay had its property or other tax base been subject to taxation by the LEA on the same basis as privately owned property. Such revenue would include payments made for privately owned property which is not subject to taxation on the same basis as other privately owned property due to action by the local governmental unit.
- 1290 Other Taxes. Other forms of taxes by a local governmental unit other than an LEA, such as licenses and permits. Separate accounts may be maintained for each specific type of tax.
- 1300 Tuition.** Revenue from individuals, welfare agencies, private sources and other LEAs for education provided by the LEA.
- 1310 Tuition From Individuals.
- 1320 Tuition From Other LEAs Within the State.
- 1321 Regular Program, not Shared or Open Enrolled.
- 1322 Special Education Program. Tuition received for providing special education services to students from another LEA or agency. This tuition is the actual program cost per pupil plus Phase II and Phase III moneys.
- 1323 Open Enrollment, Regular Program. Tuition revenues received quarterly for enrollments authorized under Iowa Code section 282.18. This tuition is the lower district cost per pupil. of the two districts (resident and receiving) plus any moneys received for that pupil as a result of Limited English Speaking weighting and Phase III moneys generated for that pupil.
- 1324 Open Enrollment, Special Education Program. Tuition revenue received quarterly for enrollments authorized under Iowa Code section 282.18. This tuition is the actual program cost per pupil plus any moneys received for that pupil as a result of Limited English Speaking weighting and Phase III moneys generated for that pupil.
- 1325 Sharing arrangements and Contracts. Revenue received for whole grade or partial grade sharing. Generally these sharing arrangements are supported by Iowa Code chapter 28E agreements.
- 1326 Tuition from Other AEA.
- 1330 Tuition From Other LEA s Outside the State.
- 1340 Tuition From Other Sources.
- 1350 Tuition from Summer School. These tuition fees may be charged to cover the instructional costs for the summer school program according to Iowa Code section 282.6. Do not include here the sale of books or supplies.
- 1400 Transportation Fees.** Revenue from individuals, welfare agencies, private sources, or other LEAs for transporting students to and from school and school activities.
- 1410 Transportation Fees From Individuals.
- 1411 Regular Program, Public Students.

1412 Nonpublic Students. Do not include here Nonpublic Transportation Aid paid by the State.

1413 Activity and athletic trips.

1414 Senior Citizens and Other non-student Groups.

1415 Summer School Program.

1420 Transportation Fees From Other LEAs/AEAs Within the State.

1430 Transportation Fees From Other LEAs Outside the State.

1440 Transportation Fees From Other Sources.

1500 Earnings on Investments. Revenue from holdings invested for earning purposes.

1510 Interest on Investments. Interest revenue on temporary or permanent investments in United States treasury bills, notes, savings accounts, time certificates of deposit, mortgages, or other interest-bearing investments.

1520 Dividends on Investments. Revenue from dividends on stocks held for investment.

1530 Gains or Losses on Sale of Investments. Gains or losses realized from the sale of bonds or stocks. Gains represent the excess of the sales proceeds over cost or any other basis as of the date of sale (cost less amortization of premium in the case of long-term bonds purchased at a premium over par value, or cost plus amortization of discount on long-term bonds purchased at a discount under par value). Gains realized from the sale of U.S. treasury bills represent interest income and should be credited to account 1510.

Losses represent the excess of the cost or any other basis at date of sale (as described above) over the sales proceeds.

1540 Earnings on Investment in Real Property. Revenue for rental, use charges and other income on real property held for investment purposes. Property purchased for use as a future site may be held as an investment property by the school district on a temporary basis.

1550 Net increase (decrease) in the Fair Value of Investments – The change in the market value of investments held by the District recorded in accordance with Governmental Accounting Standards Board Statement 31.

1600 Food Service. Revenue for dispensing food to students and adults.

1610 Daily Sales Reimbursable Programs. Revenue from students for the sale of breakfasts, lunches and milk which are considered reimbursable by the United States Department of Agriculture. Federal reimbursements are not entered here. They should be recorded under Revenue Source 455X.

1611 Daily Sales School Lunch Program. Revenue from students for the sale of reimbursable lunches as part of the National School Lunch Program.

1612 Daily Sales School Breakfast Program. Revenue from students for the sale of reimbursable breakfasts as part of the School Breakfast Program.

1613 Daily Sales Special Milk Program. Revenue from students for the sale of reimbursable milk as part of the Special Milk Program.

1620 Daily Sales Non-Reimbursable Programs. Revenue from students or adults for the sale of non-reimbursable breakfasts, lunches and milk. This category would include all sales to adults, the second type A lunch to students and a la carte sales.

1630 Special Functions. Revenue from students, adults or organizations for the sale of food products and services considered special functions. Some examples would include pot lucks, PTA-sponsored functions and athletic banquets.

1631 Institutional Income. Revenue received for the use of the school lunchroom facilities.

1700 Student Activities. Revenue from school-sponsored activities.

1710 Admissions. Revenue from patrons of a school-sponsored activity such as a concert or football game.

1720 Bookstore Sales. Revenue from sales by students or student-sponsored bookstores.

1730 Student Organization Membership Dues & Fees. Revenue from students for memberships in school clubs or organizations.

1740 Fees. Revenue from students for fees such as locker fees, towel fees, and equipment fees. Transportation fees are recorded under the appropriate account in the 1400 series. Textbook fees are recorded under the appropriate account in the 1900 series. Student fees related to curricular activities shall be deposited into the General Fund.

1790 Other Student Activity Income. Other revenue from student activities.

1800 Revenue From Community Services Activities. Revenue from community services activities operated by an LEA. For example, revenue received from operation of a skating facility by an LEA as a community service would be recorded here. Multiple accounts may be established within the 1800 series to differentiate various activities.

1900 Other Revenue From Local Sources. Other revenue from local sources not classified above.

1910 Rentals. Revenue from the rental of either real or personal property owned by the school. Rental of property held for income purposes is not included here, but is recorded under account 1540.

1920 Contributions and Donations From Private Sources. Revenue from a philanthropic foundation, private individuals, or private organizations for which no repayment or special service to the contributor is expected.

1930 Gains or Losses on Sale of Fixed Assets. The amount of revenue over the book value of the fixed assets sold. For example, the gain on the sale would be the portion of the selling price received in excess of the depreciated value (book value). This account is used in the Proprietary Funds only. Account 5300 is used for funds other than Proprietary.

1940 Textbook Sales and Rentals. Revenue from the rental or sale of textbooks. All deposits are to the General Fund.

1941 Textbook Sales. Revenue from the sale of textbooks to public students.

1942 Textbook Rentals. Revenue from the rental of textbooks to public students.

1943 Textbook Substitute Sales. Revenues from the sale of textbook substitutes to public students. Textbook substitutes include bound manuals, reusable workbooks, and software used in lieu of a classroom textbook.

- 1944 Textbook Substitute Rentals, Revenues from the rental of textbook substitutes to public students.
- 1945 Penalties & Fines, Revenues from penalties and fines assessed for textbook and library books.
- 1946 Textbook Sales, Revenues from the sale of textbooks to other than public students. This would include sales to nonpublic students and to adult education students.
- 1947 Textbook Rentals, Revenues from the rental of textbooks to other than public students. This would include rentals to nonpublic students and to adult education students.
- 1948 Textbook Substitute Sales, Revenues from the sale of textbook substitutes to other than public students.
- 1949 Textbook Substitute Rentals, Revenues from the rental of textbook substitutes to other than public students.
- 1950 Services Provided Other LEAs, Revenue from services provided other LEAs other than for tuition and transportation services. These services could include data processing, purchasing, maintenance, cleaning, and consulting.
- 1951 Teacher/Curriculum Coordinator Services Provided Other LEAs Within the State. These revenues generally are from a sharing agreement between districts under Iowa Code chapter 28E.
- 1952 Superintendent Services Provided Other LEAs. These revenues generally are from a sharing agreement between districts under Iowa Code chapter 28E.
- 1953 Other Administrative Services Provided Other LEAs. These revenues generally are from a sharing agreement for curriculum coordinators, business managers, principals or other shared administrators between districts under Iowa Code chapter 28E.
- 1954 Other Services Provided Other LEAs/AEAs Within the State. Revenues from services to LEAs within the State not listed under 1951, 1952, or 1953.
- 1955 Services Provided Other LEAs Outside the State. Revenue from services to LEAs outside the State.
- 1960 Services Provided Other Local Governmental Units. Revenue from services provided other local governmental units. These services could include transportation, data processing, purchasing, maintenance, cleaning, cash management and consulting.
- 1970 Services Provided Other Funds. Services provided other funds for services such as printing or data processing. This account would only be used in the Internal Service Funds.
- 1980 Refund of Prior Year's Expenditures and Adjustments
 - 1981 Refund of a Prior Year's Expenditures, Include here if expenditure occurred last year, and the refund this year. If refund and expenditure occurred in current year, reduce this year's expenditures, as prescribed by GAAP.
 - 1989 Auditor's Upward Adjustments, Include here adjustments to increase the beginning fund balance made by the auditor.
- 1990 Miscellaneous. Revenue from local sources not provided for elsewhere. Do not include here any revenue which has its own assigned code.

2000 Revenue From Intermediate Sources

- 2100 Unrestricted Grants-in-Aid.** Revenue recorded as grants by the LEA from an intermediate unit which can be used for any legal purpose desired by the LEA without restriction. Separate accounts may be maintained for general source grants-in-aid which are not related to specific revenue sources of the intermediate governmental unit, and for those assigned to specific sources of revenue as appropriate.
- 2200 Restricted Grants-In-Aid.** Revenue recorded as grants by the LEA from an intermediate unit which must be used for a categorical or specific purpose. If such money is not completely used by the LEA, it must be returned, usually, to the intermediate governmental unit. Separate accounts may be maintained for general source grants-in-aid which are not related to specific revenue sources of the intermediate governmental unit, and for those assigned to specific sources of revenue as appropriate.
- 2800 Revenue in Lieu of Taxes.** Commitments or payments made out of general revenues by an intermediate governmental unit to the LEA in lieu of taxes it would have had to pay had its property or other tax base been subject to taxation by the LEA on the same basis as privately owned property or other tax base. It would include payment made for privately owned property which is not subject to taxation on the same basis as other privately owned property due to action by the intermediate governmental unit.
- 2900 Revenue for/on Behalf of the LEA.** Commitments or payments made by an intermediate governmental jurisdiction for the benefit of the LEA, or contributions of equipment or supplies. Such revenue includes the payment to a pension fund by the intermediate unit on behalf of an LEA employee for services rendered to the LEA, and a contribution of fixed assets by an intermediate unit to the LEA. Separate accounts should be maintained to identify the specific nature of the revenue item.

3000 Revenue From State Sources

- 3100 Unrestricted Grants-in-Aid.** Revenue recorded as grants by the LEA from State funds which can be used for any legal purpose desired by the LEA without restriction. Separate accounts may be maintained for general grants-in-aid which are not related to specific revenue sources of the State, and for those assigned to specific sources of revenue as appropriate.
- 3111 State Foundation Aid. Revenue from the state school foundation program as defined in Iowa Code chapter 257.
- 3112 Instruction Support State Aid. Revenue from the state aid portion of the Instructional Support Program authorized by the voters or certified by the board of directors according to Iowa Code section 257.18.
- 3120 Shelter Care/Juvenile Detention Tuition Aid (Foster Care) Revenue from the state for tuition aid for nonresident students in excess of the Certified Enrollment count in shelter care or juvenile detention facilities according to Iowa Code sections 282.30-.31.
- 3200 Restricted Grants-in-Aid.** Revenue recorded as grants by the LEA from State funds which must be used for a categorical or specific purpose.
- If such money is not completely used by the LEA, it must be returned, usually, to the State. Separate accounts may be maintained for general-source grants-in-aid which are not related to specific revenue sources of the State, and for those assigned to specific sources of revenue as appropriate.
- 3211 Educational Excellence--Phase I Revenue received under Iowa Code section 294A.6 salary supplements for the purpose of establishing pay plans incorporating sufficient annual compensation to attract quality teachers to Iowa's public school system.

- 3212 Educational Excellence--Phase II Revenue received under Iowa Code section 294A.9 salary supplements for the purpose of keeping Iowa's best educators in the profession and assisting in their development by providing general salary increases.
- 3213, 3223 Educational Excellence--Phase III Revenue received under Iowa Code section 294A.14 for the purpose of enhancing the quality, effectiveness, and performance of Iowa's teachers by promoting teacher excellence. This will be accomplished through the development of performance-based pay plans and supplemental pay plans requiring additional instructional work assignments which may include specialized training or differential training, or both. It is the intent that LEAs incorporate into their planning for performance-based pay plans and supplemental pay plans, implementation of recommendations from recently issued national and state reports relating to the requirements of the educational system for meeting future education needs, especially as they relate to the preparation, working conditions, and responsibilities of teachers, including but not limited to assistance to new teachers, development of teachers as instructional leaders in their schools and school districts, using teachers for evaluation and diagnosis of other teachers' techniques, and the implementation of sabbatical leaves. It is further the intent that real and fundamental change in the educational system must emerge from the school site if the education system is to remain relevant and that plans funded in this program must be an integral part of a comprehensive school district effort toward meeting identified district goals or needs.
- 3214 AEA Flowthrough. The portion of the state foundation aid which the LEA is required by Iowa Code section 273.9(1) to include in its local certified budget but which is paid directly to the AEA from the state. The amount is found on the Aid and Levy Worksheet printout. This amount is always considered by the LEA to have been received and paid timely within the fiscal year.
- 3221 Transportation Aid for Nonpublic Students. Revenue from the state for the transportation of resident nonpublic students according to Iowa Code section 285.2. This aid must be recorded as a revenue and may not be used to reduce an expenditure.
- 3222 Textbook Aid for Nonpublic Students. Revenue from the state for the purpose of providing textbook services to resident nonpublic students according to Iowa Code section 301.30. This aid must be recorded as a revenue and may not be used to reduce an expenditure.
- 3230 At Risk Program Grants. Revenues from the state for the purpose of providing programs for at-risk children according to Iowa Code section 279.51.
- 3242 First in the Nation in Education. Revenues from the state foundation for the purposes listed in Iowa Code chapter 257A.
- 3245 Iowa Conservation Education Grants. Revenues from the state for participation in innovative conservation education programs according to Iowa Code section 256.34.
- 3248 Education Technology Assistance. Revenues from the state to assist in the use of educational technology for instruction purposes according to Iowa Code section 256.33.
- 3251 School Lunch Cash Assistance. Revenues from the state for the purpose of providing a school lunch program according to Iowa Code chapter 283A. Federal aid should not be included here.
- 3252 School Breakfast Cash Assistance. Revenues from the state for the purpose of providing a school breakfast program according to Iowa Code chapter 283A. Federal aid should not be included here.
- 3261 Vocational Aid. Revenues from the state for the purpose of providing vocational education according to Iowa Code chapter 258. Federal vocational aid should not be included here.

3800 Revenue in Lieu of Taxes. Commitments or payments made out of general revenues by a State to the LEA in lieu of taxes it would have had to pay had its property or other tax base been subject to the taxation by the LEA on the same basis as privately owned property. It would include payment made for privately owned property which is not subject to taxation on the same basis as other privately owned property due to action by the State.

3801 Military Credit. Revenue received in lieu of taxes on exempt military property located within the district per Iowa Code chapter 427. The military credit revenue must be spread against the various individual funds in the same proportion as other district taxes received.

3900 Revenue for/on Behalf of the LEA. Commitments or payments made by a State for the benefit of the LEA, or contributions of equipment or supplies. Such revenue includes the payment of a pension fund by the State on behalf of an LEA employee for services rendered to the LEA, and a contribution of fixed assets by a State unit to the LEA. Separate accounts may be maintained to identify the specific nature of the revenue item.

4000 Revenue From Federal Sources

4100 Unrestricted Grants-in-Aid Direct From the Federal Government. Revenues direct from the Federal Government as grants to the LEA which can be used for any legal purpose desired by the LEA without restriction.

4200 Unrestricted Grants-in-Aid From the Federal Government Through the State. Revenues from the Federal Government through the State as grants which can be used for any legal purpose desired by the LEA without restriction.

4300 Restricted Grants-in-Aid Direct From the Federal Government. Revenue direct from the Federal Government as grants to the LEA which must be used for a categorical or specific purpose. If such money is not completely used by the LEA, it usually is returned to the governmental unit.

4500 Restricted Grants-in-Aid From the Federal Government Through the State. Revenues from the Federal Government through the State as grants to the LEA which must be used for a categorical or specific purpose.

4700 Grants-in-Aid From the Federal Government Through Other Intermediate Agencies. Revenues from the Federal Government through an intermediate agency.

4800 Revenue in Lieu of Taxes. Commitments or payments made out of general revenues by the Federal Government to the LEA in lieu of taxes it would have had to pay had its property or other tax base been subject to taxation by the LEA on the same basis as privately owned property or other tax base. Such revenue would include payment made for privately owned property which is not subject to taxation on the same basis as other privately owned property due to action by the Federal Governmental unit.

4900 Revenue for/on Behalf of the LEA. (Commitments or payments made by the Federal Government for the benefit of the LEA, or contributions of equipment or supplies. Such revenue includes a contribution of fixed assets by a Federal governmental unit to the LEA and goods donated by the Federal Government to the LEA. Separate accounts should be maintained to identify the specific nature of the revenue item.

5000 Other Sources

5100 Sale of Bonds. The proceeds from the sale of bonds.

5110 Bond Principal. Proceeds of principal from the sale of bonds.

5120 Premium. Proceeds from that portion of the sales price of bonds in excess of their par value. The premium represents an adjustment of the interest rate.

5130 Accrued Interest. Accrued interest realized from the sale of bonds. Used only when permitted by State law.

5199 Sales of Refunding Bonds. Proceeds of principal from the sale of funding or refunding bonds according to Iowa Code section 298.20.

5200 Interfund Transfers. Amounts available from another fund which will not be repaid.

5300 Sale or Compensation for Loss of Fixed Assets. Amounts available from the sale of school property or compensation for the loss of fixed assets. Any gain on the sale of fixed assets for the proprietary funds would be recorded in account 1930.

5312 Reorganization Settlements. Proceeds received in a settlement due to the reorganization of other school districts. The district receiving the proceeds is not a party to the reorganization. Do not include here beginning balances from the former school districts, rather add together the beginning balances of all districts which are parties to the reorganization.

5400 Loans. Proceeds from loans greater than 12 months.

5500 Capital Lease. Proceeds from leasing of properties.

5600 Lease Purchases. Proceeds from lease purchases.

Classifications of Expenditures and Other Fund Uses

Fund

Descriptions for the fund codes can be found at the beginning of this chapter.

Facility

The first two digits indicate the Level of Instruction and the last two digits indicate the Operational Unit. The Operational Unit numbers are assigned by the LEA. This is a combined dimension unique to Iowa.

Level of Instruction.

This dimension permits expenditures to be segregated by instructional level. Many agencies desire to differentiate elementary, secondary, and postsecondary costs so they can use the information for cost accounting. Grade span can be changed to age span when structuring a nongraded school or LEA.

Code Description

10XX Elementary. A school organization classified as elementary by State and local practice and composed of any span of grades from preprimary through eighth grade.

11XX Pre-Kindergarten. A school organization composed entirely of any span of ages below kindergarten. This category is normally used for students identified as needing special services.

12XX Kindergarten. A school organization for children for the year immediately preceding the first grade.

19XX Other Elementary. A school organization composed of any span of grades not above grade eight except pre-kindergarten and kindergarten .

20XX Middle. A school organization composed of at least three grades, usually beginning with grades five or six or their equivalent. Most middle school organizations presume a four-year high school will follow the middle school.

30XX Secondary. A school organization comprising any span of grades beginning with the next grade following an elementary or middle school and ending with or below grade 12.

31XX Junior High. A secondary school organization intermediate between the elementary and senior high school, usually including grades 7, 8, and 9 (in a 6-3-3 plan) or grades 7 and 8 (in a 6-2-4 plan).

32XX Senior High. A school organization offering the final years of high school work necessary for graduation and invariably preceded by a junior high.

39XX Other Secondary. For example, a grade 7-12 high school.

40XX Postsecondary. A school organization for adults and out-of-school youth (16 years of age or older who are not regularly enrolled in school) who have either completed, interrupted or have not begun their formal education, or for students attending an institution of higher education.

41XX Adult/Continuing. A school organization for adults and out-of-school youth (16 years of age and older who are not regularly enrolled in school) who have either completed, interrupted, or have not begun their formal education and are pursuing skills or knowledge in other than regularly prescribed courses. These include adult basic schools, advanced adult schools, occupational schools and those schools which have as their purpose the upgrading of occupational skills, retraining existing skills, pursuit of special interests, or for enrichment.

90XX Hospital/Homebound. Education services provided to students who instructed in a hospital or home setting.

00XX District-Wide. Assigned to any expenditure transaction that applies to the entire LEA and not clearly assignable to an instructional level.

Operational Unit

This dimension is commonly used in LEAs: (1) as a way to identify attendance centers; (2) as a budgetary unit or cost center designator; (3) as a means of segregating costs by building structure; and (4) as a location code for payroll check distribution.

Function Codes

The function describes the activity for which a service or material object is acquired. The functions of an LEA are classified into five broad areas: Instruction, Support Services, Operation of Non-Instructional Services, Facilities Acquisition and Construction, and Other Outlays. Functions are further broken down into subfunctions and areas of responsibility.

Each of these levels consists of activities which have somewhat the same general operational objectives. Furthermore, categories of activities comprising each of these divisions and subdivisions are grouped according to the principal that the activities can be combined, compared, related and mutually exclusive.

The function structure in these guidelines is not intended to dictate an organizational structure, i.e., how the administrative functions are organized. Rather, an effort has been made to group together functions in relation to the magnitude of expenditures typically found in the LEA. This grouping corresponds to the categories most frequently requested in reporting to external authorities.

Code Description

1000 Instruction. Instruction includes the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving cocurricular activities. It may also be provided through some other approved medium such as television, radio, telephone, and correspondence. Included here are the activities of aides or classroom assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional

process. If proration of expenditures is not possible for department chairpersons who also teach, include department chairpersons who also teach in instruction. Full-time department chairpersons expenditures should be included only in 2490.

Used only with programs 100-700.

2000 Support Services. Support services provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

2100 Support Services—Students. Activities designed to assess and improve the well-being of students and to supplement the teaching process.

2110 Attendance and Social Work Services. Activities designed to improve student attendance at school and which attempt to prevent or solve student problems involving the home, the school, and the community. Registration activities for adult education programs are included here.

2111 Supervision of Attendance and Social Work Services. The activities associated with directing, managing and supervising attendance and social work.

2112 Attendance Services. Activities such as promptly identifying nonattendance patterns, promoting improved attitudes toward attendance, analyzing causes of nonattendance, acting early on nonattendance problems, and enforcing compulsory attendance laws.

Usually used with program 000.

2113 Social Work Services. Activities such as investigating and diagnosing student problems arising out of the home, school, or community; casework and group work services for the child, parent, or both; interpreting the problems of students for other staff members; and promoting modification of the circumstances surrounding the individual student which are related to his or her problem.

Usually used with program 000.

2114 Student Accounting Services. Activities of acquiring and maintaining records of school attendance, location of home, family characteristics, and census data. Portions of these records become a part of the cumulative record which is sorted and stored for teacher and guidance information. Pertinent statistical reports are prepared under this function as well.

Usually used with program 000.

2119 Other Attendance and Social Work Services. Attendance and social work services other than those described above.

Usually used with program 000.

2120 Guidance Services. Activities involving counseling with students and parents; consulting with other staff members on learning problems; evaluating the abilities of students; assisting students as they make their own educational and career plans and choices; assisting students in personal and social development; providing referral assistance; and working with other staff members in planning and conducting guidance programs for students.

2121 Supervision of Guidance Services. Activities associated with directing, managing and supervising guidance services.

Usually used with program 000.

- 2122 Counseling Services. Activities concerned with the relationship between one or more counselors and one or more students as counselees, between students and students, and between counselors and other staff members. These activities are to help the student understand his or her educational, personal, and occupational strengths and limitations; relate his or her abilities, emotions, and aptitudes to educational and career opportunities; utilize his or her abilities in formulating realistic plans; and achieve satisfying personal and social development.

Used with programs 000, 200.

- 2123 Appraisal Services. Activities that assess student characteristics, are used in administration, instruction, and guidance, and assist the student in assessing his or her purposes and progress in career and personality development.

Used with programs 000, 200.

- 2124 Information Services. Activities for disseminating educational, occupational, and personal social information to help acquaint students with the curriculum and with educational and vocational opportunities and requirements. Such information might be provided directly to students through activities such as group or individual guidance, or it might be provided indirectly to students, through staff members or parents.

Used with programs 000, 300.

- 2125 Record Maintenance Services. Activities for compiling, maintaining, and interpreting cumulative records of individual students, including systematic consideration of such factors as:

- Home and family background
- Physical and medical status
- Standardized test results
- Personal and social development
- School performance

Usually used with program 000.

- 2126 Placement Services. Activities that help place students in appropriate situations while they are in school. These could be educational situations, part-time employment while they are in school, and appropriate educational and occupational situations after they leave school. These activities also help ease the student's transition from one educational experience to another. The transition may require, for example, admissions counseling, referral services, assistance with records, and follow-up communications with employers.

Used with programs 000, 200, 300.

- 2129 Other Guidance Services. Guidance services which cannot be classified above.

Usually used with program 000.

- 2130 Health Services. Physical and mental health services which are not direct instruction. Included are activities that provide students with appropriate medical, dental, and nursing services.

- 2131 Supervision of Health Services. Activities associated with directing and managing health services.

Usually used with program 000.

- 2132 Medical Services. Activities concerned with the physical and mental health of students, such as health appraisal, including screening for vision, communicable diseases, and hearing deficiencies; screening for psychiatric services, periodic health examinations; emergency injury and illness care; and communications with parents and medical officials.

Used with programs 000, 200.

- 2133 Dental Services. Activities associated with dental screening, dental care, and orthodontic activities.

Usually used with program 000.

- 2134 Nursing Services. Activities associated with nursing, such as health inspection, treatment of minor injuries, and referrals for other health services.

Usually used with program 000.

- 2139 Other Health Services. Health services not classified above.

Usually used with program 000.

- 2140 Psychological Services. Activities concerned with administering psychological tests and interpreting the results; gathering and interpreting information about student behavior; working with other staff members in planning school programs to meet the special needs of students as indicated by psychological tests and behavioral evaluation; and planning and managing a program of psychological services, including psychological counseling for students, staff, and parents.

- 2141 Supervision of Psychological Services. Directing, managing and supervising the activities associated with psychological services.

Usually used with program 000.

- 2142 Psychological Testing Services. Activities concerned with administering psychological tests, standardized tests, and inventory assessments. These tests measure ability, aptitude, achievement, interests and personality. Activities also include the interpretation of these tests for students, school personnel, and parents.

Used with programs 000, 200.

- 2143 Psychological Counseling Services. Activities that take place between a school psychologist or other qualified person as counselor and one or more students as counselees in which the students are helped to perceive, clarify, and solve problems of adjustment and interpersonal relationships.

Used with programs 000, 200.

- 2144 Psychotherapy Services. Activities that provide a therapeutic relationship between a qualified mental health professional and one or more students, in which the students are helped to perceive, clarify, and solve emotional problems.

Used with programs 000, 200.

- 2149 Other Psychological Services. Other activities associated with psychological services not classified above.

Usually used with program 000.

- 2150 Speech Pathology and Audiology Services. Activities which identify, assess, and treat children with speech, hearing, and language impairments.

Usually used with program 200.

- 2151 Supervision of Speech Pathology and Audiology Services. Activities associated with directing, managing and supervising speech pathology and audiology services.

- 2152 Speech Pathology Services. Activities that identify children with speech and language disorders; diagnose and appraise specific speech and language disorders; refer problems for medical or other professional attention necessary to treat speech and language disorders; provide required speech treatment services; and counsel and guide children, parents, and teachers, as appropriate.

- 2153 Hearing Impaired/Audiology Services. Activities that identify children with hearing loss; determine the range, nature, and degree of hearing function; refer problems for medical or other professional attention appropriate to treat impaired hearing; treat language impairment; involve auditory training, speech reading (lip-reading), and speech conversation; create and administer programs of hearing conservation; and counsel guidance of children, parents, and teachers as appropriate.

- 2159 Other Speech Pathology and Audiology Services. Other activities associated with speech pathology and audiology services not classified above.

- 2160 Assistive Technology. Activities associated with providing adaptations for students with disabilities.

- 2180 Parent-Educator. Activities to provide information, training, and assistance to parents in providing services to their children requiring special education.

- 2190 Other Support Services—Student. Other support services to students not classified elsewhere in the 2100 series.

Usually used with program 000.

- 2200 Support Services—Instructional Staff**. Activities associated with assisting the instructional staff with the content and process of providing learning experiences for students.

- 2210 Improvement of Instruction Services. Activities primarily for assisting instructional staff in planning, developing, and evaluating the process of providing learning experiences for students. These activities include curriculum development, techniques of instruction, child development and understanding, staff training, etc.

- 2211 Supervision of Improvement of Instruction Services. Activities associated with directing, managing and supervising the improvement of instruction services.

Used only with programs 000,100-300, 600, 700.

- 2212 Instruction and Curriculum Development Services. Activities that aid teachers in developing the curriculum, preparing and utilizing special curriculum materials, and understanding and appreciating the various techniques which stimulate and motivate students.

Used only with programs 000,100-300, 600, 700.

2213 Instructional Staff Training Services. Activities that contribute to the professional or occupational growth and competence of members of the instructional staff during the time of their service to the school system or school. Among these activities are workshops, demonstrations, school visits, courses for college credit, sabbatical leaves, and travel leaves.

Used only with programs 000,100-300, 600, 700.

2217 Instructional Staff Training Services, External. Activities that contribute to the professional or occupational growth and competence of members of the instructional staff of LEAs within the AEA during the time of their service to school systems or schools within the AEA.

2219 Other Improvement of Instruction Services. Activities for improving instruction other than those classified above.

Used only with programs 000,100-300, 600, 700.

2220 Educational Media Services. Activities concerned with the use of all teaching and learning resources, including hardware, and content materials. Educational media are defined as any devices, content materials, methods, or experiences used for teaching and learning purposes. These include printed and nonprinted sensory materials.

2221 Supervision of Educational Media Services. Activities concerned with directing, managing and supervising educational media services.

Usually used with program 000.

2222 School Library Services. Activities such as selecting, acquiring, preparing, cataloging, and circulating books and other printed materials; planning the use of the library by students, teachers and other members of the instructional staff; and guiding individuals in their use of library books and materials, whether maintained separately or as a part of an instructional materials center. Textbooks will not be charged to this function but rather to the instruction function.

An AEA materials lending library means materials, regardless of format, which are purchased for or otherwise designed for loan to school systems being served by the AEA, the storage space, and the preparation, circulation, and borrower services related to the materials.

Used only with programs 000,100-300, 600, 700.

2223 Audiovisual Services. Activities such as selecting, preparing, caring for, and making available to members of the instructional staff the equipment, films, filmstrips, transparencies, tapes, TV programs, and similar materials, whether maintained separately or as part of an instructional materials center. Included are activities in the audiovisual center, TV studio, and related work-study areas, and the services provided by audiovisual personnel.

Usually used with programs 000, 100-700.

2224 Educational Television Services / Telecommunication (ICN). Activities concerned with planning, programming, writing, and presenting educational programs or segments of programs by closed circuit, broadcast television, or ICN.

Usually used with programs 000, 100-700.

2225 Computer-Related Instruction Services (Networking & Internet). Activities concerned with planning, programming, writing, and presenting educational projects which

have been especially programmed for a computer to be used as the principal medium of instruction.

Usually used with programs 000, 100-700.

2226 Professional Library (AEA). A professional library includes both books and other print and nonprint media on subject area, methodology, and other related topics of value to the educational specialist or practitioner. It further includes space for the use of these materials on the premises, provision for borrowing for use off the premises, opportunity for expansion of the collection through various types of interlibrary loan, and professional assistance for the borrower.

2227 Curriculum Laboratory (AEA). A curriculum laboratory is a facility where professional assistance is provided to instructional staff members in planning and preparing for instruction. It includes, at least on a temporary basis, any pertinent materials in print, nonprint, or other formats, and their support equipment, which will help the user to develop curriculum or instructional plans.

2229 Other Educational Media Services. Educational media services other than those classified above.

Usually used with programs 000, 100-700.

2230 Consulting and Strategizing. Services generally provided by the AEA through consultation and development of educational strategies.

2290 Other Support Services—Instructional Staff. Services supporting the instructional staff not properly classified elsewhere in the 2200 series.

Usually used with program 000.

2300 Support Services—General Administration. Activities concerned with establishing and administering policy for operating the LEA.

Do not include the Chief Business Official here, but in Support Services- Business [Function 2500].

2310 Board of Education Services. Activities of the elected body which has been created according to State law and vested with responsibilities for educational activities in a given administrative unit.

2311 Supervision of Board of Education Services. Activities concerned with directing and managing the general operation of the Board of Education. These include the activities of the members of the Board of Education, but does not include any special activities defined in the other areas of responsibility described below. They also include any activities of the district performed in support of the school district meeting. Legal activities in interpretation of the laws and statutes and general liability situations are charged here, as are the activities of external auditors.

Used only with program 000.

2312 District Secretary/Clerk Services. The activities required to perform the duties of the Secretary or Clerk of the District.

Used only with program 000.

2313 District Treasurer Services. The activities required to perform the duties of Treasurer of the District.

Used only with program 000.

2314 Election Services. Services rendered in connection with any school system election, including elections of officers and bond elections.

Used only with program 000.

2315 Tax Assessment and Collection Services. Services rendered in connection with tax assessment and collection.

Used only with program 000.

2316 Staff Relations and Negotiations Services. Activities concerned with staff relations systemwide and the responsibilities for contractual negotiations with both instructional and non-instructional personnel.

Used only with program 000.

2317 Legal Services. Services rendered in connection with research of the laws and statutes and general liability situations.

Used only with program 000.

2318 Audit Services. Services rendered by external, independent auditors in connection with verifying the account records, which include evaluating the adequacy of the internal control system, verifying and safeguarding assets, reviewing the reliability of the accounting and reporting system, and ascertaining compliance with established policies and procedures.

2319 Other Board of Education Services. Board of Education services which cannot be classified under the preceding areas of responsibility.

Used only with program 000.

2320 Executive Administration Services. Activities associated with the overall general administration of or executive responsibility for the entire LEA.

2321 Office of the Superintendent Services. Activities performed by the superintendent and such assistants as deputy, associate, and assistant superintendents in generally directing and managing all affairs of the LEA. These include all personnel and materials in the office of the chief executive officer. Activities of the offices of the deputy superintendents should be charged here, unless the activities can be placed properly into a service area. In this case, they would be charged to service area direction in that service area.

Used only with program 000.

2322 Community Relations Services. Activities and programs developed and operated system-wide for bettering school/community relations.

Used only with program 000.

2323 State and Federal Relations Services. Activities associated with developing and maintaining good relationships with State and Federal officials. The activities associated with grant procurement are included.

Used only with program 000.

2329 Other Executive Administration Services. Other general administrative services which cannot be recorded under the preceding functions.

Used only with program 000.

2400 Support Services—School Administration. Activities concerned with overall administrative responsibility for a school.

2410 Office of the Principal Services. Activities concerned with directing and managing the operation of a particular school. They include the activities performed by the principal, assistant principals, and other assistants while they supervise all operations of the school, evaluate the staff members of the school, assign duties to staff members, supervise and maintain the records of the school, and coordinate school instructional activities with those of the LEA. These activities also include the work of clerical staff in support of the teaching and administrative duties.

Usually used with program 000.

2490 Other Support Service--School Administration. Other school administration services. This function includes graduation expenses and full-time department chairpersons. This also includes AEA regional facilitators or zone coordinators in charge of a specific building or specific discipline.

Usually used with program 000.

2500 Support Services—Business. Activities concerned with paying, transporting, exchanging, and maintaining goods and services for the LEA. Included are the fiscal and internal services necessary for operating the LEA.

Include the Chief Business Official and the activities of the Chief Business Official here.

2510 Fiscal Services. Activities concerned with the fiscal operations of the LEA. This function includes budgeting, receiving and disbursing, financial and property accounting, payroll, inventory control, internal auditing and managing funds.

2511 Supervising Fiscal Services. The activities of directing, managing and supervising the fiscal services area. They include the activities of the assistant superintendent, director, or school business official who directs and manages fiscal activities.

Usually used with program 000.

2512 Budgeting Services. Activities concerned with supervising budget planning, formulation, control and analysis.

Usually used with program 000.

2513 Receiving and Disbursing Funds Services. Activities concerned with taking in money and paying it out. They include the current audit of receipts; the preaudit of requisitions or purchase orders to determine whether the amounts are within the budgetary allowances and to determine that such disbursements are lawful expenditures of the school or an LEA; and the management of school funds.

Usually used with program 000.

2514 Payroll Services. Activities concerned with periodically paying individuals entitled to remuneration for services rendered. Payments are also made for such payroll-associated costs as Federal income tax withholding, retirement, and social security.

Usually used with program 000.

- 2515 Financial Accounting Services. Activities concerned with maintaining records of the financial operations and transactions of the school system. They include such activities as accounting and interpreting financial transactions and account records.

Usually used with program 000.

- 2516 Internal Auditing Services. Activities concerned with verifying the account records, which includes evaluating the adequacy of the internal control system, verifying and safeguarding assets, reviewing the reliability of the accounting and reporting systems, and ascertaining compliance with established policies and procedures.

Usually used with program 000.

- 2517 Property Accounting Services. Activities concerned with preparing and maintaining current inventory records of land, buildings, and equipment. These records are used in equipment control and facilities planning.

Usually used with program 000.

- 2519 Other Fiscal Services. Fiscal services which cannot be classified under the preceding functions.

Usually used with program 000.

- 2520 Purchasing Services. Activities concerned with purchasing supplies, furniture, equipment, and materials used in schools or school system operations.

Usually used with program 000.

- 2530 Warehousing and Distributing Services. The activities of receiving, storing, and distributing supplies, furniture, equipment, materials, and mail. They include picking up and transporting cash from school facilities to the central administration office or bank for control, deposit, or both.

Used with program 000, or may be established as an internal service activity.

- 2532 Delivery Services (AEA). A service provided by the AEA to deliver and return by AEA operated or contracted vehicles of all AEA circulating materials to each local school district attendance center on at least a twice-a-week basis during the regular school year.

- 2535 Warehouse Inventory Adjustment. Include adjustments to inventories reported on a consumption basis, in object 610 (general supplies), in object 630 (food) or 730 (equipment), or for lost or stolen equipment.

- 2540 Printing, Publishing, and Duplicating Services. The activities of printing and publishing administrative publications such as annual reports, school directories, and manuals. Activities here also include centralized services for duplicating school materials and instruments such as school bulletins, newsletters, and notices.

Used with program 000, or may be established as internal service activity.

- 2542 Production Services (AEA). Production of media-oriented instructional materials shall mean production, reproduction, or other preparation of print or nonprint instructional materials.

2543 Print Shop (AEA). Printing shall mean that part of production services that relates to offset and other printing services whether basis or “quality and quantity”. The AEA may charge actual costs incurred in providing these services.

2590 Other Support Services—Business. Other support services to business not classified elsewhere in the 2500 series.

Usually used with program 000.

2600 Operation and Maintenance of Plant Services. Activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition and state of repair. These include the activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools.

2610 Supervision of Operation and Maintenance of Plant Services. The activities involved in directing, managing and supervising the operation and maintenance of school plant facilities.

Usually used with program 000.

2620 Operating Buildings Services. Activities concerned with keeping the physical plant clean and ready for daily use. They include operating the heating, lighting, and ventilating systems, and repairing and replacing facilities and equipment. Also included are the costs of building rental and property insurance.

Usually used with program 000.

2630 Care and Upkeep of Grounds Services. Activities involved in maintaining and improving the land (but not the buildings). These include snow removal, landscaping, grounds maintenance and the like.

Usually used with program 000.

2640 Care and Upkeep of Equipment Services. Activities involved in maintaining equipment owned or used by the LEA. They include such activities as servicing and repairing furniture, machines, and movable equipment.

Usually used with program 000.

2650 Vehicle Operation and Maintenance Services (Other Than Student Transportation Vehicles). Activities involved in maintaining general purpose vehicles such as trucks, tractors, graders, and staff vehicles. These include such activities as repairing vehicles, replacing vehicle parts, cleaning, painting, greasing, fueling, and inspecting vehicles for safety, i.e., preventive maintenance.

Usually used with program 000.

2660 Security Services. Activities concerned with maintaining order and safety in school buildings, on the grounds and in the vicinity of schools at all times. Included are police activities for school functions, traffic control on grounds and in the vicinity of schools, building alarm systems and hall monitoring services.

Usually used with program 000.

2690 Other Operation and Maintenance of Plant Services. Operations and maintenance of plant services which cannot be classified elsewhere in the 2600 series.

Usually used with program 000.

2700 Student Transportation Services. Activities concerned with conveying students to and from school, as provided by State and Federal law. This includes trips between home and school, and trips to school activities.

2710 Supervision of Student Transportation Services. Activities pertaining to directing and managing student transportation services.

Usually used with program 000.

2720 Vehicle Operation Services. Activities involved in operating vehicles for student transportation, from the time the vehicles leave the point of storage until they return to the point of storage. These include driving buses or other student transportation vehicles.

Used with programs 000-400.

2730 Monitoring Services. Activities concerned with supervising students in the process of being transported between home and school, and between school and school activities. Such supervision can occur while students are in transit, while they are being loaded and unloaded, and in directing traffic at the loading stations.

Usually used with program 000.

2740 Vehicle Servicing and Maintenance Services. Activities involved in maintaining student transportation vehicles. It includes repairing vehicle parts, replacing vehicle parts, cleaning, painting, fueling, and inspecting vehicles for safety.

Used with programs 000-400.

2790 Other Student Transportation Services. Student transportation services which cannot be classified elsewhere in the 2700 series.

Usually used with program 000.

2800 Support Services-Central. Activities, other than general administration, which support each of the other instructional and supporting services programs. These activities include planning, research, development, evaluation, information, staff, and data processing services.

2810 Planning, Research, Development, and Evaluation Services. Activities associated with conducting and managing programs of planning, research development, and evaluation for a school system on a system-wide basis.

Planning Services include activities concerned with selecting or identifying the overall, long-range goals and priorities of the organization or program. They also involve formulating various courses of action needed to achieve these goals. This is done by identifying needs and relative costs and benefits of each course of action.

Research Services include activities concerned with the systematic study and investigation of the various aspects of education, undertaken to establish facts and principles.

Development Services include activities in the deliberate evolving process of improving educational programs-such activities as using the products of research.

Evaluation Services include activities concerned with ascertaining or judging the value or amount of an action or an outcome. This is done through careful appraisal of previously specified data in light of the particular situation and the goals previously established.

Usually used with program 000.

2816 Planning, Research, Development & Evaluation Services, External. Same as 2810 except these activities are conducted for local school districts with the AEAs providing support services.

2820 Information Services. Activities concerned with writing, editing, and other preparation necessary to disseminate educational and administrative information to students, staff, managers, and the general public through direct mailing, the various news media, or personal contact.

2821 Supervision of Information Services. The activities of directing, managing and supervising information services.

Usually used with program 000.

2822 Internal Information Services. Activities concerned with writing, editing, and providing administrative information to students and staff.

Usually used with program 000.

2823 Public Information Services. Activities concerned with writing, editing, and other preparation necessary to disseminate educational and administrative information to the public through various news media or personal contact.

Usually used with program 000.

2824 Management Information Services. Activities concerned with writing, editing, and other preparation necessary to disseminate to management (1) the information needed about the operation of the LEA and (2) information about the community, State, and nation to make logical decisions.

Usually used with program 000.

2826 Information Services, External. Same as 2820 except these activities are conducted for local school districts with the AEAs providing support services.

2829 Other Information Services. Activities concerned with information services not classified above.

Usually used with program 000.

2830 Staff Services. Activities concerned with maintaining an efficient staff for the school system. It includes such activities as recruiting and placement, staff transfers, inservice training, health services, and staff accounting.

2831 Supervision of Staff Services. The activities of directing, managing and supervising staff services.

Usually used with program 000.

2832 Recruitment and Placement Services. Activities concerned with employing and assigning personnel for the LEA.

Usually used with program 000.

2833 Staff Accounting Services. Services rendered in connection with the systematic recording and summarizing of information relating to staff members employed by the LEA.

Usually used with program 000.

2834 Staff Development for Non-Instructional Staff - Internal. The activities developed by the LEA/AEA for training of non-instructional personnel in all classifications.

Usually used with program 000.

2835 Health Services. Activities concerned with medical, dental, and nursing services provided for school district employees. Included are physical examinations, referrals, and emergency care.

Usually used with program 000.

2836 Staff Development for Non-Instructional Staff - External. Same as 2836 except these activities are conducted for local school districts and AEAs with outside sources providing the training.

Usually used with program 000.

2839 Other Staff Services. Staff services which cannot be classified under the preceding functions.

2840 Data Processing Services. Activities concerned with preparing data for storage, storing data, and retrieving them for reproduction as information for management and reporting.

Used with program 000, or may be established as an Internal Service center, or may charge specific jobs to programs.

2841 Supervising Data Processing Services. Activities concerned with directing, managing and supervising data processing services.

2842 Systems Analysis Services. Activities concerned with searching for and evaluating alternatives for achieving defined objectives, based on judgment and, wherever possible, on quantitative methods. Where applicable, these activities pertain to the development of data processing procedures or application to electronic data processing equipment.

2843 Programming Services. Activities concerned with the preparation of a logical sequence of operations to be performed, either manually or electronically, in solving problems or processing data. These activities also involve preparing coded instructions and data for such sequences.

2844 Operations Services. Activities concerned with scheduling, maintaining, and producing data. These activities include operating business machines, data preparation devices, and data processing machines.

2849 Other Data Processing Services. Activities concerned with data processing not described above.

2900 Other Support Services. All other support services not classified elsewhere in the 2000 series.

Usually used with program 000.

3000 Operation of Non-Instructional Services. Activities concerned with providing non-instructional services to students, staff or the community.

3100 Food Services Operations. Activities concerned with providing food to students and staff in a school or LEA. This service area includes preparing and serving regular and incidental meals, lunches, or snacks in connection with school activities and food delivery.

Used with programs 410, 500, 800 and 910.

3200 Enterprise Operations. Activities that are financed and operated in a manner similar to private business enterprises—where the stated intent is that the costs are financed or recovered primarily through user charges. Food Services should not be charged here but rather to function 3100. One example could be the LEA bookstore.

Used only with program 990.

3300 Community Services Operations. Activities concerned with providing community services to students, staff or other community participants. Examples of this function would be the operation of a community swimming pool, a recreation program for the elderly, a child care center for working mothers, etc.

Used only with program 800.

3400 Community Education Services Operations. Activities concerned with providing community education and opportunity for citizen participation in identifying the wants, needs, and concerns of the community and in the developing and implementing programs toward the goal of improving the entire community.

4000 Facilities Acquisition and Construction Services. Activities concerned with acquiring land and buildings; remodeling buildings; constructing buildings and additions to buildings; initially installing or extending service systems and other built-in equipment; and improving sites.

Used only with program 000.

4100 Site Acquisition Services. Activities concerned with initially acquiring and improving new sites.

4200 Site Improvement Services. Activities concerned with improving sites, and with maintaining existing site improvements.

4300 Architecture and Engineering Services. The activities of architects and engineers related to acquiring and improving sites and improving buildings. Charges are made to this function only for those preliminary activities which may or may not result in additions to the LEA's property. Otherwise, charge these services to 4100, 4200, 4500 or 4600, as appropriate.

4400 Educational Specifications Development Services. Activities concerned with preparing and interpreting descriptions of specific space requirements for the various learning experiences of students to be accommodated in a building. These specifications are interpreted to the architects and engineers in the early stages of blueprint development.

4500 Building Acquisition and Construction Services. Activities concerned with buying or constructing buildings.

4600 Building Improvements Services. Activities concerned with building additions and with installing or extending service systems and other built-in equipment.

4900 Other Facilities Acquisition and Construction Services. Facilities acquisition and construction activities which cannot be classified above.

5000 Other Uses. A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified under *Other Uses*. These include debt service payments

(principal and interest) and certain transfers of monies from one fund to another. These accounts are not used with the proprietary funds.

Used only with program 000.

5100 Debt Service. Servicing the debt of the LEA, including payments of both principal and interest. Normally, only long-term debt service (obligations exceeding one year) is recorded here. Interest on current loans (repayable within one year of receiving the obligation) is charged to function 2513. The receipt and payment of principal on those loans is handled as an adjustment to the balance sheet account 451.

5200 Fund Transfers. Transactions which withdraw money from one fund and place it in another without recourse. Fund transfers budgeted to another functional activity, such as food service or transportation, are coded to the appropriate function and the object code 930. Revenues should be allocated to the appropriate funds when received, rather than accepted in one fund and later transferred to another.

Interfund loans are not recorded here, but are handled through the balance sheet accounts 131 and 401 in the funds affected.

Program Codes

A program is a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives. Nine broad program areas are identified in this guide: regular education, special education, vocational education, other instructional (PK-12), non-public school, adult/continuing education, community/junior college education, community services, and enterprise. An undistributed expenditures category is added to accumulate expenditures that cannot be charged to one of the programs but can be allocated later by an indirect cost allocation process.

The program dimension provides the LEA the framework to classify expenditures by program to determine cost. Many SEAs, including Iowa, have developed a function/object matrix for reporting financial information from the LEA to the SEA. In this system, the function dimension is used to gather instructional program information. In this process, only direct instructional costs are classified to the instruction function; those support costs which could be considered direct costs to an instructional program are classified to a support function. For example, special education transportation costs are classified to the support services function, transportation, even though they should be charged directly to the special education program. The program dimension allows agencies to charge program costs, instructional and support, directly to the benefiting program. Additionally, an agency using this dimension can classify support services both to programs and to functions.

Iowa's program dimension incorporates the subject matter dimension. The subject matter dimension describes a group of related subjects. It is offered to permit the accumulation of the costs of providing instruction in particular subject areas. The classifications used here are consistent with the first two digits of the subject matter classification in Handbook VI.

Code Description

Pre-Kindergarten—Grade 12 Programs

100 Regular Programs—Elementary/Secondary. Activities that provide students in grades K-12 with learning experiences to prepare them for activities as citizens, family members, and non-vocational workers. These programs contrast with those designed to improve or overcome physical, mental, social and/or emotional handicaps.

102 Art. Activities involving primarily visual, tactile and kinesthetic expression. Included in art instruction are the two-dimensional forms such as drawing, painting, or printmaking; the three-dimensional forms such as sculpture or pottery; other spatial concepts such as architecture and design for the performing arts; and the history and theory of art. Emphasis is placed upon the esthetic and creative factors of visual forms.

- 103 Business.** Activities designed to develop in students the attitudes, knowledge, skills, and understanding concerned with business principles and practices. These could be used in personal life, in the business world, or both. Business also includes a wide variety of aspects of general education, e.g., subject matter from other areas such as English (language arts), social sciences/social studies, and mathematics.
- 105 English Language Arts.** Activities concerned with developing (1) an understanding of the language system; (2) proficiency and control in the use of the English language; (3) appreciation of a variety of literary forms; (4) understanding and appreciation of various aspects of past and present cultures as expressed in literature; and (5) interests which will motivate lifelong learning.
- 106 Foreign Language.** Includes the body of subject matter in this area that is comprised of a variety of foreign languages, including English as a foreign language. Classified under this heading are the various classical and modern foreign languages.
- 108 Health and Safety in Daily Living, Physical Education, and Recreation.** Includes the body of related subject matter and activities in health and safety in daily living, physical education, and recreation. These areas are organized for carrying on learning experiences concerned with developing (1) knowledge, attitudes, appreciation, and conduct essential to individual and group health; (2) awareness of, concern for, and knowledge, skills, and judgment necessary for practicing and promoting personal and public safety in the home, at school, on the job, and in traffic; and (3) physical and mental growth and fitness through activities designed to improve the muscles, motor skills, attitudes and habits of conduct of individuals and groups.
- 111 Mathematics.** Activities concerned with the science of relations existing between quantities (magnitude) and operations, and with the science of methods used for deducing from other quantities, known or supposed, the quantities sought.
- 112 Music.** Includes the fine art that utilizes sounds in time in a meaningful and organized manner. Subject matter and activities in music are designed to impart the skills and knowledge necessary for understanding, appreciating, creating, performing, and enjoying music.
- 113 Natural Sciences.** Activities concerned with knowledge of the physical and biological world, and of the processes of discovering and validating this knowledge.
- 115 Social Sciences.** Comprised of interrelated subject matter organized to impart knowledge, develop skills, and identify goals concerning elements and institutions of human society. This learning occurs through the disciplines of history, economics, political science, sociology, anthropology, psychology, geography and philosophy.
- 121 Safety and Driver Education.** Activities in safety and driver education are organized to develop the ability to operate a motor vehicle and to respond appropriately when driving or walking in traffic. Subject matter and activities in safety education are primarily concerned with enhancing personal characteristics and values involved in preventing accidents and saving lives.
- 122 Junior ROTC.** Activities organized into programs of instruction to provide opportunities for students to prepare for and achieve career objectives in selected branches of the military service. In the instructional process various aspects of subject matter frequently are drawn from other subject-matter areas.
- 200 Special Programs.** Activities primarily for students having special needs. The Special Programs include pre-kindergarten, kindergarten, elementary, and secondary services for the gifted and talented, mentally retarded, physically handicapped, emotionally disturbed, at risk, students with learning disabilities, limited English speaking students, special programs for other types of students.
- 202 Early Childhood (AEA).** Programs for children and families prior to entry into a kindergarten program. These programs are designed to support child development. Health and developmental

screenings may be offered as well as parent involvement. These programs often have links to other community agencies. These students are not being provided services pursuant to an IEP.

- 210 Special Education.** For students whose handicaps are of such a nature and degree as to interfere with intellectual development and learning under regular class methods. These students, therefore, require differentialized curriculum for some part—and, frequently, for all-of their education.
- 210 Multi-categorical.**
- 211 Mental Disability.**
- 212 Severe/Profound.**
- 221 Hearing Disability.**
- 224 Vision Disability.**
- 225 Communication Disability.**
- 226 Physical Disability.** Activities for students identified as having one or more physical handicaps.
- 230 Behavioral Disability.** Activities for students who exhibit an emotional or behavioral handicap of such a nature and severity as to require specialized services.
- 240 Learning Disabled.** Activities for students identified as having deficiencies in one or more aspects of the cognitive process and as being underachievers in relation to the general level of their overall abilities.
- 250 At Risk/Dropout Prevention.** Activities for students whose background is so different from that of most other students that they need additional opportunities beyond those provided in the regular educational program and other students at risk of dropping out of school.
- 260 Limited English Speaking.** Activities for students from homes where the English language is not the primary language spoken.
- 270 Gifted and Talented.** Activities for students identified as being mentally gifted or talented.
- 300 Vocational Programs.** Activities that provide students with the opportunity to develop the knowledge, skills and attitudes needed for employment in an occupational area.
 - 310 Agriculture.** Activities that enable students to acquire the background, knowledge, and skills necessary to enter a wide range of agriculturally-related occupations. The instruction emphasizes the functions of agricultural production, agricultural supplies, agricultural mechanization, agricultural products (processing), ornamental horticulture, forestry, agricultural resources, and the services related thereto. The instruction is designed to provide opportunities for students to prepare for or improve their competency in agricultural occupations. An agricultural occupation may include one or any combination of the functions mentioned.
 - 320 Distributive Education.** Activities that prepare students to perform activities that direct the flow of goods and services, including their appropriate utilization, from the producer to the consumer. These activities include selling and such sales-supporting functions as buying, transporting, storing, promoting, financing, marketing research and management.
 - 330 Health Occupations.** Activities that provide students with the knowledge, skills, and understanding required by occupations that support the health professions. Instruction is organized to prepare students for occupational objectives concerned with assisting qualified personnel in providing diagnostic,

therapeutic, preventive, restorative, and rehabilitative services to people. Instruction also includes understanding and skills essential to provide care and health services to patients.

- 340 Home Economics.** Activities that enable students to acquire knowledge and develop understanding, attitudes, and skills relevant to personal, home, and family life, and to home economics occupations. The subject matter of home economics includes, in addition to that which is unique to the area, concepts drawn from the natural and social sciences and the humanities.
- 341 Occupational. Activities that prepare students with knowledge, understanding and skills necessary to enter home economics occupations.
- 342 Consumer and Homemaking. Activities that prepare students to acquire knowledge and develop understanding, attitudes and skills relevant to personal, home and family life.
- 350 Industrial Arts.** Activities that develop a student's understanding about all aspects of industry and technology. These include experimenting, designing, constructing, and evaluating; using tools, machines, materials; and using processes which may help individuals make informed and meaningful occupational choices, or may prepare them to enter advanced trade and industrial or technical education programs. Learning experiences involve activities such as experimenting, designing, constructing, evaluating, and using tools, machines, materials, and processes that provide opportunities for creativity and problem solving.
- 360 Office Occupations.** Activities that prepare, upgrade, or retrain students for selected office occupations. Activities organized into programs of instruction to provide opportunities for students to prepare for and achieve career objectives in selected office occupations. In the instructional process, various aspects of subject matter frequently are drawn from other subject-matter areas. Learning experiences are designed to lead to individual employment, advancement, or both, in occupations in public or private enterprises or organizations related to the facilitating function of the office. "Facilitating function," as used here refers to the expediting role played by office occupations as the connecting link between the production and distribution activities of an organization. Included is a variety of activities, such as recording and retrieving data, supervising and coordinating office activities, communicating internally and externally, and reporting information.
- 370 Technical Education.** Activities that prepare students for job opportunities in a specialized field of technology. The program of instruction normally includes the study of the underlying sciences and supporting mathematics inherent in a technology, as well as methods, skills, materials, and processes commonly used and services performed in the technology. A planned sequence of study and extensive knowledge in a field of specialization is required in technical education, including competency in the basic communication skills and related general education. Technical education prepares for the occupational area between the skilled craftsman and the professional person.
- 380 Trades and Industrial.** Activities that prepare students for initial employment in a wide range of trade and industrial occupations. Such occupations are skilled or semiskilled and are concerned with layout designing, producing, processing, assembling, testing, maintaining, servicing, or repairing any product or commodity. Instruction is provided (1) in basic manipulative skills, safety judgment, and related occupational information in mathematics, drafting, and science required to perform successfully in the occupation; and (2) through a combination of shop or laboratory experiences simulating those found in industry and classroom learning. Included is instruction for apprentices in apprenticeable occupations or for journeymen already engaged in a trade or industrial occupation. Also included is training for service and certain semiprofessional occupations considered to be trade and industrial in nature.
- 390 Other Vocational Programs.** Other activities that provide students with the opportunity to develop the knowledge, skills and attitudes needed for employment in an occupational area.

400 Other Instructional Programs—Elementary/Secondary (Cocurricular Activities). Activities that provide students in grades K-12 with learning experiences not included in the Program codes 100-300, 500 and 600. Comprised of the group of school-sponsored activities under the guidance of qualified adults. These activities are designed to provide opportunities for students to participate in such experiences on an individual basis, in small groups,

or in large groups-at school events, public events, or a combination of these-for purposes such as motivation, enjoyment, and improvement of skills. In practice, participation usually is not required and credit usually is not given. When participation is required or credit is given, the activity generally is considered to be a course.

- 410 School-Sponsored Cocurricular Activities.** School-sponsored activities, under the guidance and supervision of LEA staff, designed to provide students such experiences as motivation, enjoyment, and improvement of skills. Cocurricular activities normally supplement the regular instructional program and include such activities as band, chorus, choir, speech and debate.
- 420 School-Sponsored Athletics.** School-sponsored activities, under the guidance and supervision of LEA staff, that provide opportunities for students to pursue various aspects of physical education. Athletics normally involve competition between schools and frequently involve offsetting gate receipts or fees.
- 450 Clubs/Student Organizations.** Included are student-financed and -managed activities, such as: Class of 19XX, Chess Club, Senior Prom, and Future Farmers of America.
- 490 Other.** Activities that provide students with learning experiences not included in the other program 400 codes.

Other Programs

500 Non-Public School Programs. Activities for students attending a school established by an agency other than the State, a subdivision of the State, or the Federal Government, which usually is supported primarily by other than public funds. The services consist of such activities as those involved in providing instructional services, attendance and social work services, health services, and transportation services for nonpublic school students.

600 Adult/Continuing Education Programs. Activities that develop knowledge and skills to meet immediate and long range educational objectives of adults who, having completed or interrupted formal schooling, have accepted adult roles and responsibilities. Programs include activities to foster the development of fundamental tools of learning; prepare students for a postsecondary career; prepare students for postsecondary education programs; upgrade occupational competence; prepare students for a new or different career; develop skills and appreciation for special interests; or to enrich the aesthetic qualities of life. Adult basic education programs are included in this category.

700 Community/Junior College Education Programs. Activities for students attending an institution of higher education which usually offers the first two years of college instruction. If the LEA has the responsibility of providing this program, all costs of the program should be coded here.

800 Community Services Programs. Activities which are not directly related to the provision of educational services in an LEA. These include services such as community recreation programs, civic activities, public libraries, programs of custody and care of children, and community welfare activities provided by the LEA for the community as a whole or some segment of the community.

- 810 Community Recreation.** Activities concerned with providing recreation for the community as a whole, or for some segment of the community. Included are such staff activities as organizing and supervising playgrounds, swimming pools, and similar programs.
- 820 Civic Services.** Activities concerned with providing services to civic affairs or organizations. This program area includes services to parent-teacher association meetings, public forums, lectures, and civil defense planning.
- 830 Public Library Services.** Activities pertaining to the operation of public libraries by an LEA, or the provision of library services to the general public through the school library. Included are such activities as budgeting, planning and augmenting the library's collection in relation to the community, and informing the community of public library resources and services.
- 840 Custody and Child Care Services.** Activities pertaining to the provision of programs for the custodial care of children in residential day schools, or child-care centers which are not part of, or directly related

to, the instructional program, and where the attendance of the children is not included in the attendance numbers for the LEA.

850 Welfare Activities. Activities pertaining to the provision of personal needs of individuals who have been designated as needy by an appropriate governmental entity. These needs include stipends for school attendance, salaries paid to students for work performed (whether for the LEA or for an outside concern), and for clothing, food, or other personal needs.

890 Other Community Services. Activities provided the community which cannot be classified under the other program 800 codes.

900 Enterprise Programs. Programs which are intended to be self-supporting. This program category would normally be used with the proprietary funds.

910 Food Services. Activities concerned with providing food service to students and staff. Most of the direct costs of this program will also be coded to function 3100.

990 Other Enterprise Programs. All other enterprise programs.

000 Undistributed Expenditures. All charges which are not readily assignable directly to a program are classified here. For program-costing purposes, the charges to functions in the 1000, 2000 and 3000 series and this account may be attributed indirectly to instructional, community service and enterprise programs. Charges to functions 4000 and 5000 and this program normally are *not* allocated to other programs. See chapter 4 for a discussion of techniques for allocating indirect costs.

Project/Reporting

Code Description

The project/reporting code permits LEAs to accumulate expenditures to meet a variety of specialized reporting requirements at local, state, and federal levels. It is envisioned to identify the particular funding source, authority, or expenditure purpose for which a special record or report is required and to identify particular projects and fiscal years of the appropriation within that funding source.

Use the source code in the project dimension to indicate the costs associated with grants, levies, or categorical aids. See the complete list of state assigned project codes in Appendix D.

3291 Supplemental Assistance (first level of weighting). An educational service provided identified special education students who require special adaptations, while assigned to a general education classroom for basic instructional purposes. These pupils are not enrolled in any other special education weighted program model. The special adaptation required in order to maintain the pupils in regular classes may vary greatly from pupil to pupil.

3292 Resource Teaching Program (first level of weighting). An educational program for students who are enrolled in the general education curriculum for most of the school day but who require special education instruction in specific skill areas on a part-time basis. This program may be operated on a multi-disability basis.

3293 Special Class with Integration (first level of weighting). An educational program for students with similar educational needs who are enrolled in a special education classroom but who can profit from participation in one or more academic subjects with pupils who are not disabled. This program may be operated on a multi-disability basis.

3294 Self-Contained Special Class with Little Integration (second level of weighting). An educational program serving students with similar special education needs to the degree that they require special education instruction on a full-time basis. Such students can benefit from limited participation in general education curriculum with non-disabled students. The maximum teacher-student ratio is 1:8 for elementary and 1:10 for secondary students.

- 3295 Preschool Handicapped (second level of weighting). Special instructional program and assistance for children from three to five years of age who require special education programs and services. This programming is for students with moderate disabilities and the maximum teacher-student ratio is 1:8.
- 3296 Preschool Handicapped (third level of weighting). Special instructional program and assistance for children from three to five years of age who require special education programs and services. This programming is for students with severe disabilities and the maximum teacher-student ratio is 1:5.
- 3297 Self-Contained Special Class (third level of weighting). An educational program serving pupils with similar special education needs to the degree that they require special education instruction on a full-time basis. Such pupils ordinarily cannot profit from participation in the general education curriculum with non-disabled students, but benefit from integration into other school activities. This program is similar to the self-contained special class with little integration but the severity of the handicap mandates a different teacher-student ratio and weighting. The maximum teacher-student ratio is 1:5.
- 3298 Supplemental Assistance (second level of weighting). An educational program serving pupils, who through the utilization of special adaptations, can be appropriately served in the general education classroom. Such adaptations may include: intensive short-term special education instructional intervention; interpreters for hearing impaired pupils; readers for visually impaired pupils; educational aides; aides for physically disabled pupils or other disabled pupils for assistance in and about school; materials; and specialized or modified equipment for use in the school.
- 3299 Supplemental Assistance (third level of weighting). An educational program serving pupils, who through the utilization of special adaptations, can be appropriately served in the general education classroom. Such adaptations may include: intensive short-term special education instructional intervention; interpreters for hearing impaired pupils; readers for visually impaired pupils; educational aides; aides for physically disabled pupils or other disabled pupils for assistance in and about school; materials; and specialized or modified equipment for use in the school.
- 3301 Level I. A level of service that provides specially designed instruction for a limited portion or part of the student's education program. A majority of the general education program is appropriate. A district must have an approved district developed delivery system in order to report expenditures using Level I.
- 3302 Level II. A level of service that provides specially designed instruction for the majority of the student's educational program. A district must have an approved district developed delivery system in order to report expenditures using Level II.
- 3303 Level III. A level of service that provides specially designed instruction for most or all of the student's educational program. A district must have an approved district developed delivery system in order to report expenditures using Level III.

Object

This dimension is used to describe the service or commodity obtained as the result of a specific expenditure. There are nine major object categories, each of which is further subdivided.

In Iowa the job classification dimension has been incorporated within the object dimension. This enables LEAs to break down expenditures for salaries by the employees' job classification. This dimension is used at least three ways in school accounting: 1. to classify payroll costs for personnel purposes according to the classifications contained in Handbook IVR, 2. to segregate certified and non-certified salaries, and 3. to accumulate payroll costs by bargaining unit for purpose of labor negotiations.

Code Description

- 100 Personal Services—Salaries.** Amounts paid to both permanent and temporary LEA employees, including personnel substituting for those in permanent positions. This includes gross salary for personal services rendered while on the payroll of the LEAs.

Used with all functions except 5000.

- 110 Official/Administrative.** A grouping of assignments comprising the various skill levels required to perform management activities. These activities include developing broad policies for the LEA and executing these policies by directing staff members at all levels of the LEA. Activities performed directly for policymakers are also included here. The Official/Administrative classification does not preclude Professional-Education or Professional-Other status. This classification normally includes the district-wide administrators and Board of Education members and Board of Education appointed officials.
- 111 Salaries of Regular Employees.** Full-time, part-time, and prorated portions of the costs for work performed by permanent employees of the LEA.
 - 112 Salaries of Temporary Employees.** Full-time, part-time, and prorated portions of the costs for work performed by employees of the LEA who are hired on a temporary or substitute basis.
 - 113 Salaries for Overtime.** Amounts paid to employees of the LEA in either temporary or permanent positions for work performed in addition to the normal work period for which the employee is compensated under regular salaries and temporary salaries above. The terms of such payment for overtime is a matter of State and local regulations and interpretation.
 - 114 Salaries for Sabbatical Leave.** Amounts paid by the LEA to employees on sabbatical leave.
 - 115 Regular Assistant Employees.**
 - 116 Temporary Assistant Employees.**
 - 117 Overtime for Assistant Employees.**
- 120 Professional—Educational.** A grouping of assignments requiring a high degree of knowledge and skills acquired through at least a baccalaureate degree (or its equivalent obtained through special study, experience, or both). This learning includes skills in education or educational psychology. Included are curriculum specialists, counselors, library/media specialists, remedial specialists and teachers. Teachers' aides are classified under *4-Technical*.
- 130 Professional—Other.** A grouping of assignments requiring a high degree of knowledge and skills acquired through at least a baccalaureate degree (or its equivalent obtained through special study, experience, or both), but not requiring skills in education. This classification normally includes nurses, social workers and psychologists, architects, lawyers, accountants, physicians and therapists, among others.
- 140 Technical.** A grouping of assignments requiring a combination of basic scientific knowledge and manual skills which can be obtained through approximately 2 years of post-high school education. Such education is offered, for example, in junior/community colleges and technical institutes, or through equivalent special study, on-the-job training, or both. This classification normally includes interns, aides, computer operators, practical nurses and the like.
- 150 Office/Clerical.** A grouping of assignments to perform the activities of preparing, transferring, transcribing, systematizing, or preserving communications, records, and transactions, regardless of the level of skills required, where the activities are predominantly nonmanual.

- 160 Crafts and Trades.** A grouping of manual assignments requiring a relatively high skill level (usually acquired through an extensive period of training). They also require considerable judgment and a thorough and comprehensive knowledge of the processes involved in the work. This classification normally includes carpenters, electricians, painters, plumbers and mechanics.
- 170 Operative.** A grouping of manual assignments requiring an intermediate skill level (which can be mastered in a few weeks through limited training) necessary to operate machines. This classification normally includes any bus or truck drivers.
- 180 Laborer.** A grouping of manual assignments which generally require no special training. All laborers who lift, dig, mix, load and pull would be classified in this general job classification. Under the Laborer classification, the one fairly common specific activity assignment associated with an LEA is groundskeeping. Other activity assignments may be added by the local administrator if needed by a particular LEA.
- 190 Service Work.** A grouping of assignments, regardless of level of difficulty, that relate to both protective and non-protective support services. Under the Service Work classification, the following activity assignments are the most common in the LEA: custodians, warehouse workers and food service employees. The list may be expanded as necessary at the discretion of the local administrator.
- 200 Personal Services—Employee Benefits.** Amounts paid by the LEA in behalf of employees; these amounts are not included in the gross salary, but are in addition to that amount. Such payments are fringe benefit payments and, while not paid directly to employees, nevertheless are part of the cost of personal services.

Used with all functions except 5000.

- 210 Group Insurance.** Employer's share of any insurance plan.
- 220 Social Security Contributions.** Employer's share of social security paid by the LEA.
- 230 Retirement Contributions.** Employer's share of any State or local employee retirement system paid by the LEA, including the amount paid for employees assigned to Federal programs.
- 240 Tuition Reimbursement.** Amounts reimbursed by the LEA to any employee qualifying for tuition reimbursement based upon LEA policy.
- 250 Unemployment Compensation.** Amounts paid by the LEA to provide unemployment compensation for its employees.
- 260 Worker's Compensation.** Amounts paid by the LEA to provide worker's compensation insurance for its employees.
- 270 Health Benefits.** Amounts paid by the LEA to provide health benefits for its current employees or employees now retired for whom benefits are paid.
- 290 Other Employee Benefits.** Employee benefits other than those classified above. LEAs may establish sub-codes locally for various accrued amounts, such as "unused sick leave."
- 300 Purchased Professional and Technical Services.** Services which by their nature can be performed only by persons or firms with specialized skills and knowledge. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided. Included are the services of architects, engineers, auditors, dentists, medical doctors, lawyers, consultants, teachers, accountants, etc. It is recommended that a separate account be established for each type of service provided to the LEA. In general, LEAs should adhere to the classification of staff activities in Handbook IVR [Roberts, Charles T., *Staff Accounting: Classifications and Standard Terminology for Local and State School Systems*, Washington, D.C.: U.S. Government Printing Office, 1974.] when assigning accounts within the sub-objects in this group.

- 310 Official/Administrative Services.** Services in support of the various policy-making and managerial activities of the LEA. Included would be management consulting activities oriented to general governance or business and financial management of the LEA; school management support activities; election and tax assessing and collecting services.

Usually used with functions 2300, 2400.

- 320 Professional-Educational Services.** Services supporting the instructional program and its administration. Included would be curriculum improvement services, counseling and guidance services, library and media support and contracted instructional services.

Usually used with functions 1000, 2100, 2200.

- 330 Other Professional Services.** Professional services other than educational supporting the operation of the LEA. Included are medical doctors, lawyers, architects, auditors, accountants, therapists, audiologists, dieticians, editors, negotiations specialists, systems analysts, planners, and the like. See Handbook IVR for further detail.

Usually used with function 2000.

- 340 Technical Services.** Services to the LEA which are not regarded as professional but require basic scientific knowledge, manual skills, or both. Included are data processing services, purchasing and warehousing services, graphic arts and the like.

Usually used with functions 1000, 2000.

- 400 Purchased Property Services.** Services purchased to operate, repair, maintain, and rent property owned or used by the LEA. These services are performed by persons other than LEA employees. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided.

- 410 Utility Services.** Expenditures for utility services other than energy services supplied by public or private organizations. Water and sewage are included here. Telephone and telegraph are not included here but are classified under object 530.

Used only with function 2600.

411 Water/Sewage. Expenditures for water/sewage utility services from a private or public utility company.

- 420 Cleaning Services.** Services purchased to clean buildings (apart from services provided by LEA employees).

Used only with function 2600.

421 Disposal Services. Expenditures for garbage pickup and handling not provided by LEA personnel.

422 Snow Plowing Services. Expenditures for snow removal not provided by LEA personnel.

423 Custodial Services. Expenditures to an outside contractor for custodial services.

424 Lawn Care. Expenditures for lawn and grounds upkeep, minor landscaping, nursery services and the like not provided by LEA personnel.

425 Pest Control. Expenditures for control of insects and rodents not provided by LEA personnel.

- 430 Repairs and Maintenance Services.** Expenditures for repairs and maintenance services not provided directly by LEA personnel. This includes contracts and agreements covering the upkeep of buildings

and equipment. Costs for renovating and remodeling are not included here but are classified under object 450.

440 Rentals. Costs for renting or leasing land, buildings, equipment and vehicles.

441 Renting Land and Buildings. Expenditures for leasing or renting land and buildings for both temporary and long-range use by the LEA.

Used with function 2620 and appropriate program code.

442 Rental of Equipment and Vehicles. Expenditures for leasing or renting equipment or vehicles for both temporary and long-range use by the LEA. This includes bus and other vehicle rental when operated by a local LEA, lease-purchase arrangements, and similar rental agreements.

Usually used with function 1000 or 2000 and appropriate program code.

450 Construction Services. Includes amounts for constructing, renovating and remodeling paid to contractors.

Used only with functions 4500, 4600.

490 Other Purchased Property Services. Purchased property services which are not classified above. Costs for telephone and telegraph are not included here but are included in object 530.

Usually used with function 2600.

500 Other Purchased Services. Amounts paid for services rendered by organizations or personnel not on the payroll of the LEA (separate from Professional and Technical Services or Property Services). While a product may or may not result from the transaction, the primary reason for the purchase is the service provided.

510 Student Transportation Services. Expenditures for transporting children to and from school and other activities.

Used only with function 2700.

511 Student Transportation Purchased from Another LEA/AEA Within the State. Amounts paid to other LEAs or AEAs within the State for transporting children to and from school and school-related events. These include payments to individuals who transport themselves or their own children or for reimbursement of transportation expenses on public carriers. Expenditures for the rental of buses which are operated by personnel on the LEA/AEA payroll are recorded not here but under object 442.

Used only with function 2700.

512 Student Transportation Purchased from Another LEA Outside the State. Payments to other LEAs outside the State for transporting children to and from school and school-related events.

Used only with function 2700.

519 Student Transportation Purchased From Other Sources. Payments to persons or agencies other than LEAs or AEAs for transporting children to and from school and school-related events.

Used only with function 2700.

520 Insurance (Other Than Employee Benefits). Expenditures for all types of insurance coverage, including property, liability, and fidelity. Insurance for group health or worker compensation is not charged here but is recorded under object 200.

Used with function 2310 or 2620.

- 530 Communications.** Services provided by persons or businesses to assist in transmitting and receiving messages or information. This category includes telephone and telegraph services as well as postage machine rental and postage.

Usually used with function 2320 or 2410, but may be spread among functions.

- 540 Advertising.** Expenditures for announcements in professional publications, newspapers or broadcasts over radio and television. These expenditures include advertising for such purposes as personnel recruitment, legal ads, new and used equipment, and sale of property. Costs for professional advertising or public relations services are not recorded here but are charged to object 330.

Usually used with functions 2300, 2500 or 2800.

- 550 Printing and Binding.** Expenditures for job printing and binding, usually according to specifications of the LEA. This includes designing and printing forms and posters as well as printing and binding LEA publications. Preprinted standard forms are not charged here but are recorded under object 610.

Usually used with function 2540, but may be assigned to other functions.

- 560 Tuition.** Expenditures to reimburse other educational agencies for instructional services to students residing in the legal boundaries described for the paying LEA.

Used only with function 1000 and appropriate program.

561 Tuition to Other LEAs Within the State. Tuition paid to other LEAs within the State.

562 Tuition to Other LEAs Outside the State. Tuition paid to other LEAs outside the State.

563 Tuition to Private Sources. Tuition paid to private schools.

564 Tuition to Intermediate Education Agencies (AEAs) Within the State.

565 Tuition to Community Colleges.

569 Tuition--Other. Tuition paid to the State and other governmental organizations as reimbursement for providing specialized instructional services to students residing within the boundaries of the paying LEA.

- 570 Food Service Management.** Expenditures for the operation of a local food service facility by other than employees of the LEA. Included are contracted services, such as food preparation, associated with the food service operation. Direct expenditures by the LEA for food, supplies, labor and equipment would be charged to the appropriate object codes.

Used only with function 3100.

- 580 Travel.** Expenditures for transportation, meals, hotel, and other expenses associated with staff travel for the LEA. Payments for per diem in lieu of reimbursements for subsistence (room and board) also are charged here.

Used with all functions except 5000.

- 590 Miscellaneous Purchased Services.** Purchased services other than those described above. Any interdistrict payments other than tuition should be classified here.

591 Services Purchased Locally. Any expenditures for purchased services not otherwise classified in the 300, 400 or 500 series of objects.

Used with all functions except 5000.

- 592 Services Purchased from Another LEA Within the State. Payments to another LEA within the State for services rendered, other than tuition and transportation fees. Examples of such services are data processing, purchasing, nursing and guidance. Where a question arises as to whether to code such payments to the 300 series of objects or to this code, 592 should be used so that all interdistrict payments can be eliminated when consolidating reports from multiple LEAs at State and Federal levels.

Used only with function 2000.

- 593 Services Purchased from Another LEA Outside the State. Payments to another LEA outside the State for services rendered, other than tuition and transportation fees. Examples of such services are data processing, purchasing, nursing and guidance. Where a question arises as to whether to code such payments to the 300 series of objects or to this code, 593 should be used so that all interdistrict payments can be eliminated when consolidating reports at the Federal level.

Used only with function 2000.

- 594 Services Purchased from Intermediate Education Agencies (AEAs) Within the State.

- 595 Staff Workshops & Conference Registration Fees.

600 Supplies. Amounts paid for items that are consumed, worn out, or deteriorated through use; or items that lose their identity through fabrication or incorporation into different or more complex units or substances. Refer to the appendix for the criteria for distinguishing between a supply and an equipment item.

No specific category for materials has been provided. For clarification of this point, the reader is referred to Handbook III, Revised, p. 78. [Seibert, Ivan N., *Property Accounting, A Handbook of Standard Terminology and a Guide for Classifying Information About Education Property*, Washington, D.C.: U.S. Government Printing Office, 1977.]

- 610 General Supplies.** Expenditures for all supplies (other than those listed below) for the operation of an LEA, including freight and cartage.

A more thorough classification of supply expenditures is achieved by identifying the object with the function—for example, audiovisual supplies or classroom teaching supplies.

Used with all functions except 5000.

- 620 Energy.** Expenditures for energy, including gas, oil, coal, gasoline, and services received from public or private utility companies.

- 621 Natural Gas. Expenditures for gas utility services from a private or public utility company.

Used with functions 1000, 2620 and 3100.

- 622 Electricity. Expenditures for electric utility services from a private or public utility company.

Usually used with functions 1000, 2620.

- 623 Bottled Gas. Expenditures for bottled gas, such as propane gas received in tanks.

Used with functions 1000, 2620, 3100.

- 624 Oil. Expenditures for bulk oil normally used for heating.

Used only with function 2620.

625 Coal. Expenditures for raw coal normally used for heating.

Used only with function 2620.

626 Gasoline. Expenditures for gasoline purchased in bulk or periodically from a gasoline service station.

Usually used with functions 2630, 2720.

629 Other. Expenditures for energy that cannot be classified in one of the foregoing categories.

630 Food. Expenditures for food used in the school food service program. Food used in instructional programs is charged under object 610.

Used only with function 3100.

640 Books and Periodicals. Expenditures for books, textbooks and periodicals prescribed and available for general use, including reference books. This category includes the cost of workbooks, textbook binding or repairs, as well as textbooks which are purchased to be resold or rented. Also recorded here are costs of binding or other repairs to school library books.

Used with all functions except 5000. Used with applicable program code.

650 Software/Magnetic Media. Expenditures for computer software and CD ROMs and similar media.

660 Audio-Visual Media. Expenditures for films, video and audio tapes, slides, and similar media.

670 Transportation Supplies. Expenditures for general supplies related to student transportation vehicles.

680 Repair & Maintenance Supplies Other than Transportation. Expenditures for general supplies related to repair and maintenance other than for student transportation vehicles.

690 AEA Media Collections. Expenditures for media acquired by the AEA for the purpose of lending to other agencies, particularly to the LEAs within the agency's service area.

700 Property. Expenditures for acquiring fixed assets, including land or existing buildings; improvements of grounds; initial equipment; additional equipment; and replacement of equipment.

710 Land and Improvements. Expenditures for the purchase of land and the improvements thereon. Purchases of air rights, mineral rights and the like are included here. Also included are special assessments against the LEA for capital improvements such as streets, curbs and drains. Not included here, but generally charged to objects 450 or 340 as appropriate, are expenditures for improving sites and adjacent ways after acquisition by the LEA. Used with governmental funds only.

Used only with functions 4100, 4200.

720 Buildings. Expenditures for acquiring existing buildings. Included are expenditures for installment or lease payments (except interest) which have a terminal date and result in the acquisition of buildings, except payments to public school housing authorities or similar agencies. Expenditures for the contracted construction of buildings, for major permanent structural alterations, and for the initial or additional installation of heating and ventilating systems, fire protection systems, and other service systems in existing buildings are recorded under object 450. Buildings built and alterations performed by the LEA's own staff are charged to objects 100, 200, 610, and 730, as appropriate. Used with governmental funds only.

Used only with function 4500.

730 Equipment. Expenditures for the initial, additional, and replacement items of equipment, such as machinery, furniture and fixtures and vehicles. Used with governmental funds only.

731 Machinery. Expenditures for equipment usually composed of a complex combination of parts (excluding vehicles). Examples are lathes, drill press, printing press, etc.

Usually used with functions 1000, 2600.

732 Vehicles. Expenditures for equipment used to transport persons or objects. Examples are automobiles, trucks, buses, station wagons, and vans.

Usually used with functions 2630, 2700.

733 Furniture and Fixtures. Expenditures for equipment used for sitting; as a support for writing and work activities; and as storage space for material items.

Used with all functions, except 5000.

739 Other Equipment. Expenditures for all other equipment not classified elsewhere in the 730 object series.

740 Depreciation. The portion of the cost of a fixed asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is apportioned over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the cost of the asset is ultimately charged off as an expense.

In accordance with GAAP, using depreciation is required in proprietary funds only. Computing depreciation is optional in the general fixed assets group of accounts, but it would not be recorded there as an expense.

800 Other Objects. Amounts paid for goods and services not otherwise classified above.

810 Dues and Fees. Expenditures or assessments for membership in professional or other organizations or payments to a paying agent for services rendered.

Used with functions 1000, 2000.

820 Judgments Against the LEA. Expenditures from current funds for all judgments (except as indicated below) against the LEA that are not covered by liability insurance, but are of a type that might have been covered by insurance. Only amounts paid as the result of court decisions are recorded here. Judgments against the LEA resulting from failure to pay bills or debt service are recorded under the appropriate expenditure accounts as though the bills or debt service had been paid when due.

Used only with function 2310.

830 Interest. Expenditures for interest on bonds or notes.

Used with functions 2513, 5100.

840 Contingency. This account is provided for budgeting appropriations. Expenditures to be paid from the contingency should be charged to the appropriate function and object classification.

Used with function 2310, or may be used with all functions except 5000.

890 Miscellaneous Expenditures. Amounts paid for goods or services not properly classified in one of the objects included above.

891 Refund of Prior Year's Revenues. Refunds of prior year's revenues are *charged* to this account.

899 Auditor's Downward Adjustments. Adjustments which reduce the beginning balance made by auditors are reported here.

Used with all functions, except 5000.

900 Other Uses of Funds. This series of codes is used to classify transactions which are not properly recorded as expenditures to the LEA but require budgetary or accounting control. These include redemption of principal and interest on long-term debt, housing authority obligations, and fund transfers. Used with governmental funds only.

910 Redemption of Principal. Outlays from current funds to retire serial bonds and long-term loans.

Used only with function 5100.

920 Housing Authority Obligations. Outlays from current funds to satisfy housing authority obligations of the LEA.

A public school housing authority is a public or quasi-public corporation having power to issue authority bonds for public school purposes, construct public school buildings, lease public school buildings to local public school administrative units, or transfer title to such units. All expenditures of this nature are classified in this category.

Used only with function 5100.

925 Reorganization Settlements. Payments from districts which are parties to a reorganization to a district which is not a party.

930 Fund Transfers. Includes all transactions conveying money from one fund to another without recourse. Generally, this takes the form of a transfer from the General Fund to some other fund.

Used with all functions.

940 Payments to escrow agents.

950 Internal Service Charges/Intrafund Transfers.

Classification of Balance Sheet Accounts

Assets and Other Debits

Assets and other debits include what is owned and what is not owned (as of the date of the balance sheet) but is expected to become fully owned at some future date. Also included are other budgeting and offsetting accounts which normally have debit balances.

Code Description

Current Assets. Cash or anything that can be readily converted into cash.

101 Cash in Bank. All funds on deposit with a bank or savings and loan institution normally in noninterest-bearing accounts. Interest-bearing accounts are recorded in investments.

102 Cash on Hand. Currency, coins, checks, postal and express money orders, and bankers' drafts on hand.

103 Petty Cash. A sum of money set aside for the purpose of paying small obligations for which the issuance of a formal voucher and check would be too expensive and time-consuming.

- 104 Change Cash.** A sum of money set aside to provide change.
- 105 Cash With Fiscal Agents.** Deposits with fiscal agents, such as commercial banks, for paying matured bonds and interest.
- 111 Investments.** Securities and real estate held for producing income in the form of interest, dividends, rentals or lease payments. The account does not include fixed assets used in LEA operations. Separate accounts for each category of investments may be maintained.
- 112 Unamortized Premiums on Investments.** The excess of the amount paid for securities over the face value which has not yet been amortized. Use of this account is restricted to long-term investments.
- 113 Unamortized Discounts on Investments (Credit).** The excess of the face value of securities over the amount paid for them which has not yet been written off. Use of this account is normally restricted to long-term investments.
- 114 Interest Receivable on Investments.** The amount of interest receivable on investments, excluding interest purchased. Interest purchased should be shown in a separate account.
- 115 Accrued Interest on Investments Purchased.** Interest accrued on investments between the last interest payment date and date of purchase. The account is carried as an asset until the first interest payment date after date of purchase. Upon receipt and deposit of the cash, an entry is made debiting the account Cash in Bank, and crediting the Accrued Interest on Investments Purchased account for the amount of interest purchased and an Interest Earning revenue account (1510) for the balance.
- 121 Taxes Receivable.** The uncollected portion of taxes which an LEA or governmental unit has levied and which has become due, including any interest or penalties which may be accrued. Separate accounts may be maintained on the basis of tax roll year, current and delinquent taxes, or both.
- 122 Estimated Uncollectible Taxes (Credit).** That portion of taxes receivable it is estimated will not be collected. The account is shown on the balance sheet as a deduction from the Taxes Receivable account in order to arrive at the net taxes receivable. Separate accounts may be maintained on the basis of tax roll year, delinquent taxes, or both.
- 131 Interfund Loans Receivable.** An asset account used to record a loan by one fund to another fund in the same governmental unit. It is recommended that separate accounts be maintained for each interfund receivable loan.
- 132 Interfund Accounts Receivable.** An asset account used to indicate amounts owed to a particular fund by another fund in the same LEA for goods sold or services rendered. It is recommended that separate accounts be maintained for each interfund receivable.
- 141 Intergovernmental Accounts Receivable.** Amounts due to the reporting governmental unit from another governmental unit. These amounts may represent grants-in-aid, shared taxes, taxes collected for the reporting unit by another unit, loans, and charges for services rendered by the reporting unit for another government. It is recommended that separate accounts be maintained for each interagency receivable.
- 151 Loans Receivable.** Amounts which have been loaned to persons or organizations, including notes taken as security for such loans, where permitted by statutory authority.
- 152 Estimated Uncollectible Loans (Credit).** That portion of loans receivable which is estimated will not be collected. The account is shown on the balance sheet as a deduction from the Other Loans Receivable account.

- 153 Other Accounts Receivable.** Amounts owing on open account from private persons, firms, or corporations for goods and services furnished by an LEA (but not including amounts due from other funds or from other governmental units) .
- 154 Estimated Uncollectible Accounts Receivable (Credit).** A provision for that portion of accounts receivable which is estimated will not be collected. The account is shown on the balance sheet as a deduction from the Other Accounts Receivable account.
- 161 Bond Proceeds Receivable.** An account used to designate the amount receivable upon sale of bonds.
- 171 Inventories for Consumption.** The cost of supplies and equipment on hand not yet distributed to requisitioning units.
- 172 Inventories for Resale.** The value of goods held by an LEA for resale rather than for use in its own operations.
- 181 Prepaid Expenses.** Expenses paid for benefits not yet received. Prepaid expenses differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operation. Examples of prepaid expenses are prepaid rent, prepaid interest, and unexpired insurance premiums. An example of a deferred charge is unamortized discounts on bonds sold.
- 191 Deposits.** Funds deposited by the LEA as prerequisite to receiving services, goods, or both.
- 199 Other Current Assets.** Current assets not provided for elsewhere.

Fixed Assets. Those assets which the LEA intends to hold or continue in use over a long period of time.

Code Description

- 211 Sites.** A fixed asset account which reflects the acquisition value of land owned by an LEA. If land is purchased, this account includes the purchase price and costs such as legal fees, filling and excavation costs, and other associated improvement costs incurred to put the land in condition for its intended use. If land is acquired by gift, the account reflects its appraised value at the time of acquisition.
- 221 Site Improvements.** A fixed asset account which reflects the acquisition value of permanent improvements, other than buildings, which add value to land. Examples of such improvements are fences, retaining walls, sidewalks, pavements, gutters, tunnels and bridges. If the improvements are purchased or constructed, this account contains the purchase or contract price. If improvements are obtained by gift, it reflects the appraised value at the time of acquisition .
- 222 Accumulated Depreciation on Site Improvements.** Accumulated amounts for depreciation of land improvements. The recording of depreciation is optional in the general fixed assets account group.
- 231 Buildings and Building Improvements.** A fixed asset account which reflects the acquisition value of permanent structures used to house persons and property owned by the LEA. If buildings are purchased or constructed, this account includes the purchase or contract price of all permanent buildings and the fixtures attached to and forming a permanent part of such buildings. This account includes all building improvements. If buildings are acquired by gift, the account reflects their appraised value at the time of acquisition.
- 232 Accumulated Depreciation on Buildings and Building Improvements.** Accumulated amounts for depreciation of buildings and building improvements. The recording of depreciation is optional in the general fixed assets account group.
- 241 Machinery and Equipment.** Tangible property of a more or less permanent nature, other than land, buildings, or improvements thereto, which is useful in carrying on operations. Examples are machinery,

tools, trucks, cars, buses, furniture and furnishings. The appendix provides criteria to distinguish whether a purchase is a supply or a piece of machinery or equipment.

242 Accumulated Depreciation on Machinery and Equipment. Accumulated amounts for depreciation of machinery and equipment. The recording of depreciation is optional in the general fixed assets account group and required in the proprietary funds.

251 Construction in Progress. The cost of construction work undertaken but not yet completed.

Budgeting Accounts and Other Debits. Budgeted and actual amounts for revenues as well as offsetting accounts which normally have debit balances.

301 Estimated Revenues (Budget Account). The amount of revenues estimated to be received or to become receivable during the fiscal period. At the end of the fiscal period, the account is closed out and does not appear in the balance sheet. This account would appear in interim financial statements.

302 Revenues. The total of all revenues realized during a period. This represents the increase in ownership equity during a designated period of time. The account appears only in a balance sheet prepared during the fiscal period. At the end of the fiscal period, the account is closed out and does not appear in the balance sheet.

303 Amount Available in Debt Service Funds. An account in the General Long-Term Debt Account Group which designates the amount of fund balance available in the Debt Service Fund for the retirement of long-term debt.

304 Amount To Be Provided for Retirement of General Long-Term Debt. An account in the General Long-Term Debt Account Group which designates the amount to be provided from taxes or other revenue to retire long-term debt.

Liabilities, Reserves and Fund Balance

Liabilities, reserves, and fund balance are LEA debts plus items which are not debts but which may become debts at some future time. Also included are other budgeting accounts which normally appear only on the interim financial statements.

Code Description

Current Liabilities. Those debts the LEA expects to pay within a short period of time, usually within a year or less.

Code Description

401 Interfund Loans Payable. A liability account used to record a debt owed by one fund to another fund in the same governmental unit. It is recommended that separate accounts be maintained for each interfund loan.

402 Interfund Accounts Payable. A liability account used to indicate amounts owned by a particular fund to another fund in the same LEA for goods and services rendered. It is recommended that separate accounts be maintained for each interfund payable.

411 Intergovernmental Accounts Payable. Amounts owed by the reporting LEA to another governmental unit. It is recommended that separate accounts be maintained for each interagency payable.

421 Accounts Payable. Liabilities on open account owing to private persons, firms, or corporations for goods and services received by an LEA (but not including amounts due to other funds of the same LEA or to other governmental units).

- 422 **Judgments Payable.** Amounts due to be paid by an LEA as the result of court decisions, including condemnation awards paid for private property taken for public use.
- 423 **Warrants Payable.** Amounts due to designated payees in the form of a written order drawn by the LEA directing the LEA treasurer to pay a specific amount.
- 431 **Contracts Payable.** Amounts due on contracts for assets, goods and services received by an LEA.
- 432 **Construction Contracts Payable-Retained Percentage.** Liabilities on account of construction contracts for that portion of the work which has been completed but on which part of the liability has not been paid-pending final inspection, or the lapse of a specified time period, or both. The unpaid amount is usually a stated percentage of the contract price.
- 433 **Construction Contracts Payable.** Amounts due by an LEA on contracts for constructing buildings and other structures, and other improvements.
- 441 **Matured Bonds Payable.** Bonds which have reached or passed their maturity date but which remain unpaid.
- 442 **Bonds Payable.** Bonds which have not reached or passed their maturity date but are due within one year or less.
- 443 **Unamortized Premiums on Bonds Sold.** An account which represents that portion of the excess of bond proceeds over par value and which remains to be amortized over the remaining life of such bonds.
- 451 **Loans Payable.** Short-term obligations representing amounts borrowed for short periods of time, usually evidenced by notes payable or warrants payable.
- 455 **Interest Payable.** Interest due within one year.
- 461 **Accrued Salaries and Benefits.** Salary and fringe benefit costs incurred during the current accounting period which are not payable until a subsequent accounting period.
- 471 **Payroll Deductions and Withholdings.** Amounts deducted from employees salaries for withholding taxes and other purposes. District-paid benefits amounts payable also are included. A separate liability account may be used for each type of benefit.
- 481 **Deferred Revenues.** Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, amounts that are measurable but not available is one example of deferred revenue. Also, a liability account that represents revenues collected before they become due. Included are grant revenues received by not yet expended.
- 482 **Unearned Revenues (proprietary funds only).** A liability account which represents revenues collected before they have been earned. An example is the balance remaining on school lunch tickets that have been sold to students.
- 491 **Deposits Payable.** Liability for deposits received as a prerequisite to providing or receiving services, goods, or both.
- 492 **Due to Fiscal Agent.** Amounts due to fiscal agents, such as commercial banks, for serving an LEA's matured indebtedness.
- 499 **Other Current Liabilities.** Other current liabilities not provided for elsewhere.

Long-Term Liabilities. Debt with a maturity of more than one year after the date of issuance.

- 511 Bonds Payable.** Bonds which have not reached or passed their maturity date and which are not due within one year.
- 521 Loans Payable.** An unconditional written promise signed by the maker to pay a certain sum of money one year or more after the issuance date.
- 531 Lease Obligations.** Amounts remaining to be paid on lease purchase agreements.
- 541 Unfunded Pension Liabilities.** The amount of the actuarial deficiency on a locally-operated pension plan to be contributed by the LEA on behalf of present employees.
- 542 Compensated Absences.**
- 590 Other Long-Term Liabilities.** Other long-term liabilities not provided for elsewhere.

Budgeting Accounts. These categories represent accounts which reflect budgeted and actual amounts related to expenditures and encumbrances.

- 601 Appropriations (Budget Account).** This account records authorizations granted by the school board or legislative body to make expenditures for specific purposes. This account appears in a balance sheet prepared during the fiscal period. It is closed out and does not appear in the balance sheet prepared at the close of the fiscal period.
- 602 Expenditures/Expenses.** This account appears in balance sheets prepared during the fiscal period and designates the total of expenditures (or operating expenses in proprietary funds) charged against appropriations during this period. The expenditure account is shown in each governmental fund balance sheet as a deduction from the Appropriations account to arrive at the unexpended balance of total appropriations.
- 603 Encumbrances.** This account designates obligations in the form of purchase orders, contracts, or salary commitments chargeable to an appropriation and for which part of the appropriation is reserved. In an interim balance sheet, encumbrances are deducted, along with the expenditures from the Appropriations account, to arrive at the unencumbered balance.

Fund Equity. These are accounts showing the excess of a fund over its liabilities. Portions of that balance may be reserved for future use.

Code Description

- 711 Investment in General Fixed Assets.** An account in the General Fixed Assets Account Group which represents the LEA's equity in general fixed assets. The balance of this account is normally subdivided according to the source of funds that financed the asset acquisition, such as General Fund revenues, bond issues and contributions.
- 721 Contributed Capital.** An equity account in the proprietary funds showing the amount of fund capital contributed by the governmental unit from general government revenue and resources. Annual subsidies to cover operating deficits are not recorded here. These amounts are recorded as other sources (interfund transfers) and closed to the unreserved retained earnings account (740).
- 730 Reserved-Retained Earnings.** The accumulated earnings of the proprietary funds which have been retained in the fund and which are reserved for a specific purpose. One example would be funds reserved for the future purchase of equipment.
- 740 Unreserved-Retained Earnings.** The accumulated earnings of the proprietary funds that have been retained in the fund and that are not reserved for any specific purpose.

- 751 Reserve for Inventories.** A reserve representing that portion of a fund balance segregated to indicate that assets equal to the amount of the reserve are tied up in inventories and are, therefore, not available for appropriation.
- 752 Reserve for Prepaid Expenses.** A reserve representing that portion of a fund balance segregated to indicate that assets equal to the amount of the reserve are tied up in prepaid expenses and are, therefore, not available for appropriation.
- 753 Reserve for Encumbrances.** A reserve representing that portion of a fund balance segregated to provide for unliquidated encumbrances. Separate accounts may be maintained for current encumbrances and prior-year encumbrances.
- 760 Reserved-Fund Balance.** A reserve representing that portion of a fund balance segregated to indicate that assets equal to the amount of the reserve are tied up and are, therefore, not available for appropriation. It is recommended that a separate reserve be established for each special purpose. One example of a special purpose would be restricted Federal programs.
- 770 Unreserved-Fund Balance.** The excess of the assets of a fund over its liabilities and reserves.